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A Special Report
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Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

No. 33,066 24/89 ** PARIS, FRIDAY, JUNE 16, 1989 ESTABLISHED 1887



Xu Guoming on television Thursday during sentencing.

3 Sentenced to Death In Shanghai Violence

By Nicholas D. Kristof
New York Times Service
BEIJING — In the first trial of pro-democracy demonstrators since the military crackdown June 4, a court on Thursday sentenced three young men to death for involvement in violence in Shanghai.

The sentences, which can be appealed in the next three days, seem to signal an even harsher policy than expected toward the approximately 1,000 people who are known so far to have been arrested around the nation.

Many of the others who have been arrested are accused of worse crimes, so the sentences on Thursday suggest that the others, too, could face the death penalty.

While executions almost certainly would further strain relations with foreign countries, they would drive home the hard-line message that the Beijing leadership seems determined to convey: disorders will absolutely not be tolerated.

"My guess is we're going to enter into a stage of heavy intimidation to make sure people go back to work and stay at work," said a diplomat in Shanghai. "They've already killed a couple of thousand people, so what's a couple of thousand more? You've got to look at it from their perspective."

The death penalty is relatively common in China and is often enforced not only

Echoes of Destruction In China's Hinterlands

By Richard Bernstein
New York Times Service
CHENGDU, China — Filling nearly a full square block of this city in the Chinese hinterlands is the burned-out rubble of collapsed roofs and melted shutters, of shattered glass and the mangled remains of bicycles and cars.

All of it is testimony to the fact that the violence that gripped Beijing this month was echoed in at least one major provincial city.

Foreigners and the few Chinese willing to talk to reporters these days say events in Chengdu, the capital of Sichuan Province, closely resembled those in Beijing.

The city saw about three weeks of intermittent, large-scale protest demonstrations at the city's main intersection. Students occupied the broad pedestrian holding a giant statue of Mao, a spot that is a kind of symbolic city center.

Then, on June 4 and 5, there was a series of angry, violent clashes between demonstrators and armed platoons of police in which several dozen people were killed, by the more conservative estimates.

U.S. consular officials in Chengdu say that on June 5 alone at least 100 seriously wounded people were carried out of the broad intersection in front of the statue where the battle took place.

These days the city wears a double aspect. On one hand, the pattern of everyday life has reasserted itself so fully that in most parts of the city there is little to suggest that an upheaval took place.

The many small restaurants and tea houses are crowded with customers; the free markets are loaded with produce. Sichuan Province was the place where Zhao Ziyang, now all but deposed as China's Communist Party leader, first instituted the economic liberalization later carried out in the rest of the country, and small-scale free enterprise is much in evidence here.

But the wreckage in the center of town, a stone's throw from the Mao statue, is conspicuous evidence of the intensity of recent turmoil. The fire destroyed a large complex of small shops known as the People's Market. It destroyed a medical clinic, a restaurant, a police station, a bicycle repair shop, and most of the city's largest theater.

While a scene of greater violence than most provincial cities, Chengdu demonstrates that the events of the last few weeks represented a revolt against the government that went far beyond Beijing.

Chengdu was not the only city in Sichuan, China's most populous province, to be swept up in the movement for greater democracy. Foreign students in the city of Mianyang, about 160 kilometers (100 miles) from Chengdu, also reported violence.

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U.S. Gap In Trade Narrows

But Government Shows Concern On Firmer Dollar

The Associated Press
WASHINGTON — The government reported Thursday that the U.S. merchandise trade deficit narrowed dramatically to \$8.26 billion in April, its lowest level in nine months.

The U.S. Commerce secretary warned, however, that the strong dollar could halt the progress in reducing the imbalance.

The deficit in April was 13.4 percent lower than the revised March deficit of \$9.54 billion, the Commerce Department reported. The department had estimated earlier that the March deficit was \$8.56 billion.

The improvement in trade reflected a 0.8 percent increase in exports, to a record \$30.37 billion, and a 2.6 percent drop in imports, to \$38.64 billion, despite rising prices for foreign oil, the department said.

Commerce Secretary Robert A. Mosbacher said the report was evidence of "continued improvement in U.S. trade performance," but he added a note of caution.

"While the April data are encouraging," he said, "it is always unwise to put too much weight on any one or two months' figures in these volatile statistics."

The recent strength of the dollar leads us to be concerned about the economy's ability to sustain the excellent trends seen so far."

The Bush administration has been hoping for continued progress on narrowing the trade deficit to spur economic growth. Last year's 21 percent drop in the trade deficit from an all-time high of \$152.1 billion in 1987 accounted for nearly half of all U.S. economic growth.

Many analysts are concerned that the deficit could start to widen again because of dollar strength, which makes U.S. goods more expensive on overseas markets and imports cheaper for American consumers.

For the first four months of the year, the deficit was running at an annual rate of \$109.4 billion, well below last year's actual deficit of \$119.76 billion. The deficit in April was the smallest since an \$8.02 billion deficit in July.

"So far this year we're going great guns," said Maury Harris, an economist with PaineWebber Inc. in New York. "But eventually, this higher dollar's going to eat into exports."

Cynthia Latta, an economist with Data Resources Inc. in Lexington, Massachusetts, said that although U.S. businesses had improved their competitive position in the world marketplace, "we're not going to hold on to that competitive position if the dollar continues to rise."

Analysts said the narrowing of the deficit this year, even as foreign oil prices have marched upward, has been partly a reflection of a general slowdown in an economy that is sucking in fewer foreign goods.

Imports fell in April to a seasonally adjusted \$38.84 billion, reflecting declines in sales of imported cars, manufactured capital goods and agricultural products.

The drop occurred even though

Parting Words From Gorbachev on Berlin Wall: 'Nothing Is Eternal'

By Serge Schmemmann
New York Times Service
BONN — Wrapping up a triumphant visit to West Germany, Mikhail S. Gorbachev granted Thursday that the Berlin Wall was not necessarily permanent, but he said that it would fall only when conditions that created it fell away.

Though Mr. Gorbachev's visit produced no concessions on the question of Berlin's status, his willingness to address the emotionally charged issue in practical terms was taken by West Germans as evidence of the "new chapter" that the Soviet leader proclaimed in Soviet-West German relations.

Questioned about the wall at his closing news conference, Mr. Gorbachev said: "Nothing is eternal in this world."

"The wall was raised in a concrete situation and was not dictated only by evil intentions," he said. East Germany, he added, decided to build the barrier in 1961 "as its sovereign right, and the wall can disappear when those conditions that created it fall away."

"I don't see a major problem here," he said.

He did not elaborate, and the reference to "conditions" had an echo of the hard-line stance taken by Erich Honecker, the 76-year-old leader of East Germany. But in the past, any talk of the wall was either stonily ignored by the Russians or assailed as "revanchism."

Hans Klein, the government spokesman, termed Mr. Gorbachev's comment on the wall "extremely positive," reflecting a consistent effort by the Germans to frame all facets of the visit in the best possible light. Mr. Klein said the subject of Berlin had been discussed at some length in the three long one-to-one meetings between Mr. Gorbachev and Chancellor Helmut Kohl, but he declined to give any details.

Mr. Gorbachev also did not rule out a resolution of the division of Germany, though he spoke only in broad terms. "Time itself must determine this," he said. "The current situation in Europe was created at a specific time by specific realities, and we are bound by this situation. But we hope that time will resolve this."

[Mr. Gorbachev also expressed concern over the bloody events in China and said that failure of progress there would undermine efforts to ease world tensions, Reuters reported from Bonn.]

It was his first extensive statement on China since the Soviet parliament early this month condemned all outside attempts to put pressure on Beijing and labeled the violent crushing of pro-democracy protests an internal affair.

"We regret some aspects of what has happened," Mr. Gorbachev said when questioned about China at the news conference. Expressing hope that the Chinese renewal drive would not

See GORBACHEV, Page 4

Kiosk

Pinochet Calls A Referendum

SANTIAGO (Reuters) — The military president, Augusto Pinochet, called Thursday for a July 30 referendum to approve constitutional changes negotiated with his opponents to ease the transfer to civilian rule in March.

The package of 54 amendments includes the shortening of the presidential term from eight years to four and the lifting of a ban on Marxist parties. The changes will make it easier to modify the military's rigid 1980 constitution.

But the amendments do not address a major opposition demand that General Pinochet, who seized power in a 1973 coup, be barred from continuing as commander in chief of the army after leaving office.

General News

Bonn managed a warm reception for Gorbachev without aggravating U.S. concerns, News Analysis, Page 4.

Rifts are appearing among Palestinians over the long anti-Israel uprising, Page 2.

Travel

The St. Bernard hospice is still at the pass in Switzerland, but the dogs no longer undertake rescue missions, Page 9.

Business/Finance

Tokyo stocks took their largest one day drop this year on fears of rate rises, Page 13.

British Steel's profit soared in its first year as a public concern, Page 15.

Unswayed

Page 10.

Dow Close The Dollar

Down	DM	1.985
28.36	Pound	1.5455
	Yen	145.80
	FF	6.7365



A Meskhetian mother holding her child and crying amid other refugees who have fled to a camp in Fergana Valley of Uzbekistan to escape ethnic violence. Prime Minister Nikolai I. Ryzhkov said Thursday that local officials were negligent in the rioting, Page 4.

Hope in Africa: U.S. and World Bank Cite Uganda

By Jane Perlez
New York Times Service
KAMPALA, Uganda — As this long-terrorized country has been transformed into a society with large pockets of safety and even vibrancy, it has become a major hope in Africa of the World Bank and the United States.

The three-year-old government of President Yoweri Museveni, who balanced war relations with both Colonel Muammar Gadhafi of Libya and President Ronald Reagan, has achieved a measure of political stability unknown in this

hush land for more than 20 years. Before Mr. Museveni seized power in 1986, deposing President Milton Obote, the country was terrorized by the excesses of Idi Amin and the civil wars that followed his departure for exile in 1979.

Now many areas of the country, including the capital, are relatively safe for daily life, and the World Bank and the United States both look to Uganda for economic and political improvements that could make it a good example.

This newfound sense of stability in Uganda is a relative thing, growing out of comparisons to the violent and repressive conditions that persisted over many years. Other less-shocked societies find much to be alarmed about in the country's present circumstances.

Insurgencies in northern districts persist, Ugandan and Western officials say, but they are not enough to threaten the government. With a population of 15 million, Uganda has reported more cases of AIDS than any other country except the United States, and the epidemic will have a severe effect, donor officials say. But they praise the Ugandan government for divvying rather than denying the AIDS crisis.

"They are well placed to become one of the success stories of Africa," said Grant Stadel, the resident representative of the World Bank in Kampala.

"They have natural resources, human resources, they are blessed with land and water and don't have to worry about food," he said. "They have an enlightened leadership."

Because of these factors, the bank, after winning agreement from the Museveni government on an austerity package, has started to pour funds into Uganda. At a meeting in Paris in October, the bank announced \$550 million in new aid for Uganda this year, only a little less than for Ghana, a longtime World Bank favorite in Africa.

At the same time, the U.S. Agency for International Development has almost quadrupled its aid, to \$30 million this year from \$8 million two years ago. Most critical to a sustained revival of this war-ravaged capital, the agency is helping to untangle the ownership rights to Kampala's swath of crumbled office and shop buildings, in dispute

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U.S. High Court Rejects A Wider Rights Scope

By Al Kamen
Washington Post Service
WASHINGTON — The Supreme Court declined Thursday to overturn a landmark 1976 civil rights decision, but it narrowed the scope of that ruling in a way that civil rights lawyers said would severely curtail effective enforcement of minority rights.

The court, in an opinion by Associate Justice Anthony M. Kennedy, voted 9 to 0 to leave intact its 1976 Runyon vs. McCrary ruling, despite having called for its re-examination just a year ago. The ruling has been a powerful tool to fight racial discrimination.

However, the court, on a 5-to-4 vote, limited application of the decision in a move that Associate Justice William J. Brennan Jr. described as "needlessly cramped."

The court's decision again narrowed the scope of prior rulings preventing racial discrimination, as it had done in three decisions earlier this year.

Civil rights groups, though relieved the court did not overturn Runyon outright, condemned the ruling, saying it left substantial gaps in what had been effective federal civil rights legislation and would allow blatant and intentional work discrimination to go unpunished.

"This Supreme Court term has been a disaster for all those committed to equal employment opportunity," said Benjamin Hooks and Ralph Nease of the Leadership Conference on Civil Rights.

Civil rights lawyers say that no other federal law provides the same protections as Section 1981 of the Civil Rights Act in cases involving intentional racial discrimination by private persons. In many employment discrimination cases, for example, people may sue under Title VII of the Civil Rights Act of 1964, but that law is less comprehensive and offers no opportunity for a jury trial. In addition, it does not cover employers with fewer than 15 workers.

The court alarmed civil rights advocates last spring when the five-member conservative majority voted to use a seemingly routine employment discrimination case to reconsider the Runyon decision, even though neither side had asked the court to do so.

The court in Runyon banned racial discrimination in hiring and promotion by employers with 15 or more workers.

See RIGHTS, Page 2

Reagan the Elder Statesman Becomes Immortal in France

By Mary Blume
International Herald Tribune
PARIS — A scant five months after he rode off into the political sunset, Ronald Reagan officially became an immortal on Thursday afternoon when he was inducted as a foreign associate member of the Academy of Moral and Political Sciences of the Institut de France.

"I wish I could deliver my entire speech in French as a token of my respect," Mr. Reagan said after a hearty start. "But I admire the beauty of your language too much to do that, especially here in the consecration of French culture."

The ceremony took place under the solemn dome of the former Mazarin chapel, where the Institut holds its receptions.

The Academie des Sciences Morales et Politiques is one of the five branches of the Institut, of which the Academie Fran-

caise is the best known. Members, known collectively as the Immortals, are entitled to wear a gold and green-embroidered black tailcoat, to carry a sword, and to collect between 1,500 francs (\$220) and 2,000 francs a month for attending meetings.

Beginning with Thomas Jefferson, six former American presidents have been elected to the Academy of Moral and Political Sciences, the traditional repository for retired heads of state.

An exception was Richard Nixon, more loved in France than in the United States. He was instead made a foreign associate of the Academy of Fine Arts in 1987 for having signed into law a bill allowing taxpayers to take a deduction for contributions to the restoration of the chateau of Versailles.

In the first of several photo opportuni-

ties of the afternoon, Mr. and Mrs. Reagan — he in a dark suit, she in a red and black print dress — were welcomed at the entrance of the Institut by Bernard Chenot, the academy's perpetual secretary.

An audience of 400, swelled by TV cameramen and the largest cohort of security guards the Institut has seen, attended the brief ceremony. Guests included Gianni Agnelli of Fiat, Bernadette Chirac, wife of the mayor of Paris, and the widow of the second president of the Fifth Republic, Claude Pompidou.

The ceremony began with a furious drumroll during which the uniformed academicians took their places. Mr. and Mrs. Reagan were seated in Regency-style armchairs, Mr. Reagan flanked by Edwige Avice, minister delegate of foreign affairs, who represented President François Mitterrand.

After welcoming speeches by the academy's president, Albert Brunois, and by Mr. Chenot, during which the name Lafayette was mentioned only once, Mr. Reagan climbed to the dais and, following custom, delivered a eulogy to his predecessor, the Swiss theologian Hans Urs von Balthasar.

Warmly acknowledging that he had been unfamiliar with the theologian before his election to the academy, Mr. Reagan pointed out that he and the priest had led very different lives. "At the peak of his life he contemplated and quietly wrote of God, man, the radiance of the church," Mr. Reagan said. "At the peak of my life I was surrounded by the noise of crowds and helicopters, by the push of television cameramen and by the jangle of modern political realities."

Still, Mr. Reagan pursued, he and the priest would have found much in common had they ever been able to have a cognac before a fire and talk of an evening. Sequestered with a skill that classical French rhetoricians could only admire, Mr. Reagan moved into his favorite current theme, the communications miracle.

"The technology is dazzling," he said. "Did you know that we have the ability right now to transmit the entire contents of the Encyclopedia Britannica in one second? Criticizing such countries as Romania and the Soviet Union that deny their citizens access to the new technology, Mr. Reagan said that nonetheless the events this spring in China, Poland, Hungary and even Russia, where Andrei D. Sakharov, a fellow member of the Academy of Moral and Political Sci-

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Tokyo financial markets were in turmoil Thursday as the dollar passed the 150-yen level, but it sank in New York. Pages 13 and 18.

Rifts Show in Arab Uprising

Lack of Progress With Israel Spurs Talk of Using Guns

By Glenn Frankel

Washington Post Service

JERUSALEM — Fragile Palestinian unity is beginning to crumble after 18 months of civil uprising as the Arabs in the Israeli-occupied territories lose patience with the slow pace of diplomatic progress.

Behind the split is a dispute over the future of the uprising, known as the *intifada*, and whether to start using firearms against Israeli soldiers and settlers.

Palestinians in the occupied territories have generally relied on stones and gasoline bombs. But the call of Yasser Arafat, head of the Palestine Liberation Organization, for continued resistance is meeting opposition from radical groups and members of Al Fatah, his own guerrilla movement.

"Until now, this has been a white intifada in which Palestinians have done almost all of the dying," said a Palestinian political scientist, Sabir Erakat. "But the name of the game is escalation. If you feel you are dying, and you don't see any light in the tunnel, inevitably you turn to more violence."

Palestinians are starting to fight with each other as well as with Israeli soldiers and settlers — targeting purported collaborators but also well-known PLO supporters and their property.

Last week in the northern village of Yabed, Khaled Mustafa Hazzalah, a prominent supporter of the moderate wing of Al Fatah, was gunned down by Palestinian radicals. He was branded publicly as a collaborator, but residents said he was killed because he had refused to funnel Fatah funds under his control to radical activists. It was the first time an activist from one nationalist movement has been killed by members of another since the uprising began.

Also recent weeks, more than three dozen cases of Fatah supporters have been burned or stoned in the Nablus, Ramallah and Jericho areas. While some Palestinians blamed the attacks on collaborators working under the direction of the Israeli Army, others contend they are the work of radicals seeking to intimidate supporters of Mr. Arafat's moderate political line.

Several forces are splintering the Palestinians, according to a long-time U.S. diplomatic observer. One

is the stress caused by the uprising, in which 510 Palestinians and 22 Israelis have been killed, and by Israel's security crackdown, which has led many Palestinians to seek more extreme means of retaliation.

Another is the inability of Palestinians to forge a consensus in response to Israel's latest diplomatic initiative, Prime Minister Yitzhak Shamir's peace plan, which includes a call for elections in the occupied territories but rules out any participation by the PLO itself, is patently designed to draw local Palestinians away from the organization, which has its headquarters in Tunis.

The plan has paralyzed PLO supporters, both in the territories and in Tunis, many of whom would like to go for elections but fear the consequences of saying so.

"The questions any election scheme raises — who'll run and who'll get elected and what their relationship will be with Tunis — are far more complex than writing leaflets and conducting an uprising," a U.S. diplomat said. "They expose divisions that always existed but have been submerged."

Israeli pressure is exacerbating this paralysis, observers say. Recent arrests of uprising leaders, coupled with renewed hints that the army is planning a major sweep of activists in the East Jerusalem and Ramallah area, forms the backbone of the relatively moderate Fatah leadership, make it even less likely that the moderates can come up with a coherent response to Israel's offer.

Al Fatah appears to be splintering into several groups inside the occupied territories, according to informed Palestinians. The main, Arafat-led group is apparently losing support and control to more radical groupings within the organization, as well as to extremist splinter groups and to Hamas, the underground Islamic fundamentalist movement.

A recent call by a member of the PLO Executive Committee, Mohammed Abbas, "to put a rifle in the hand of every Palestinian in the occupied territories" won widespread applause.

The underground Unified Command, which until now has been under the control of moderates, re-

cently urged that an Israeli settler or soldier be killed in reprisal for each Palestinian death.

The call, made in the 40th leaflet distributed by the intifada leadership, was retracted the following day by the PLO headquarters in Tunis. Palestinians say the retraction came after moderate Fatah supporters who met at the East Jerusalem home of a local leader, Feisal Husseini, telephoned a PLO office outside Israel to express their dismay.

Mr. Arafat's supporters deny that the split has become a major problem. They contend that most Palestinians still follow the dictates of the Unified Command and Mr. Arafat, both of whom officially oppose the use of firearms against Israelis. But they concede that anger cannot be controlled indefinitely and that their control of the streets is limited.

"There is a sense of frustration, a feeling that maybe we've put too much trust in the American position," said Jafar Ismail, a moderate activist from Beit Sahur. "People feel we've played all our cards — recognized Israel, denounced terrorism, accepted 242 and 338 — but so far we have gotten very little. Arafat still commands respect, but people need to see real progress."

His citation of 242 and 338 was a reference to UN resolutions for an Arab-Israeli settlement implying Arab acceptance of the existence of Israel.

Some Palestinians say the PLO leader's stature already has been seriously damaged.

Sufyan Khatib, an East Jerusalem supporter of Ahmed Jibril's Syrian-based PLO splinter group, commented, "Arafat did everything the United States asked. He even denied our covenant. If the Israelis are still not ready to speak to Arafat, it means that by the end of this year he will be at the end of his political life."

Mr. Khatib is one of many Palestinians who say increased violence is inevitable if their demands for an independent homeland remain unfulfilled. He warned that such violence would include not only armed attacks on Israelis in the territories but also renewed assaults inside Israel itself and against American and Israeli civilian targets overseas.



MITTERRAND PLEDGES AID FOR POLAND — President Francois Mitterrand of France met in Gdansk on Thursday with Lech Walesa, the Solidarity leader, after announcing that Paris was resuming credits and rescheduling about a quarter of Warsaw's debt to Paris to encourage moves toward democracy. The credits, the first by a Western nation since martial law was imposed in 1981, are to total 650 million francs and are tied to Poland's acceptance of an austerity program. Solidarity officials have said that Poland needs \$10 billion in Western aid.

SICHUAN: Echoes of Destruction in the Hinterlands

(Continued from page 1)

Like most Chinese provincial cities, Chengdu seems to have taken its cue from Beijing as the protest movement unfolded. Foreigners living here say the first big demonstrations took place on May 16, set off by news that students in Beijing were occupying Tiananmen Square had gone on hunger strikes to demand democracy.

Wanting to avoid the attention of school authorities, students at Sichuan University set out at midnight that night and marched the several miles to the center of Chengdu, picking up marchers from other institutions on the route, including the Institute of Science and Technology and the West China Medical School.

The midnight demonstrators, estimated at several thousand, broke through a line of police officers blocking the way to the Mao statue and occupied the area.

When the police forcefully evacuated the area the next morning and bloodied some students, none of them seriously, the move seemed to set off larger demonstrations the following days.

Foreigners estimate the size of some of the crowds that filled the broad avenues in front of the Mao statue at more than 100,000.

The demonstrators were so frequent that they spawned a new education. A standard greeting in Chinese is "Have you eaten yet?" In Chengdu during the several weeks of protest, it sometimes became "Have you demonstrated yet?"

One visitor to the city said that citizens donated some \$15,000 to

help the students. There were demonstrations by journalists, the police, and, as in Beijing, even members of the army.

A group of mostly unemployed people who formed barriers to protect the students occupying the area of the Mao statue, were dubbed "Society University."

Visitors to Chengdu at the time of the crackdown of June 4 and 5 say that detachments of armed police officers appeared on the square for the first time on those days.

The armed police units cleared the area around the Mao statue on the morning of June 4. They and the demonstrators clashed sharply several times that day and the day after, with many casualties, according to people who compiled first-hand reports.

Some witnesses to the scene on June 5 said they did not believe that the police fired their weapons, but there was large-scale use of tear gas and beatings of demonstrators with truncheons. Some demonstrators, nonetheless, asserted that hospitals reported at least four persons dying of gunshot wounds.

"Things went crazy," said one visitor to Chengdu. "Sidewalks got ripped up. Construction sites were raided for steel pipes and pieces of wood. There were stones everywhere. The police beat people savagely. The crowd broke all the windows in the city government building when they attacked it. There were hundreds of injuries of all sorts. Buses and trucks were set on fire all over the place, especially near the Mao statue."

One visitor to the city said that citizens donated some \$15,000 to

CHINA: 3 Are Sentenced to Death

(Continued from page 1)

prived of political rights by the Shanghai Intermediate People's Court.

The "deprivation of political rights" is of marginal significance, both because of impending execution and because, in any case, political rights in China have limited scope.

The three workers are Xu Guomeng, who worked for a Shanghai brewery; Bian Hanwu, unemployed, and Yan Xueqiong, a worker at a radio factory. They appeared to be in their 20s or early 30s. None was known as a leader of the anti-government protests in Shanghai.

It may be significant that they were workers, rather than students, because the government has been particularly alarmed about the prospect of workers joining the unrest and going on strike.

Xinhua said that seven other defendants would soon face trial in Shanghai for similar crimes, although it did not say precisely when.

The official news media on Thursday contained little criticism of the United States or of Fang Lizhi, the dissident who has taken refuge in the U.S. Embassy in Beijing. But television news did show a string of newly arrested students and workers.

Among those arrested was Zhang Lin, a 1988 graduate of Qinghua University in Beijing, who was shown — looking composed and bold — being led to a police station by two policemen and subsequently being questioned.

After graduation, Mr. Zhang, 25, returned to his home town of Benbu, in central Anhui Province, to set up an educational program for students and workers. He also held seminars to discuss and promote democracy.

The television news accused Mr. Zhang of having contacts with Mr. Fang. But in an interview two months ago, Mr. Zhang complained about the difficulty of seeing Mr. Fang. He said he had been able to see only Mr. Fang's wife, Li Shuxian.

RIGHTS: Court Balks on Ruling

(Continued from page 1)

cial discrimination at private schools, basing its decision on an interpretation of a 123-year-old post-Civil War law that says that all people have the same right "to make and enforce contracts as is enjoyed by white citizens." That right applied not only to government actions but to private contracts.

Thursday, in Justice Kennedy's opinion, the court unanimously backed away from reversing Runyon, saying that "whether Runyon's interpretation" of the 1866 law is right or wrong "Runyon is entirely consistent with our society's deep commitment to the eradication of discrimination based on a person's race or the color of his or her skin."

Justice Kennedy said the legal doctrine of stare decisis — meaning to adhere to what has been decided — required that there be special reasons to overturn a prior ruling and no special justification could be found.

But Justice Kennedy, joined by Chief Justice William H. Rehnquist

and Justices Byron R. White, Sandra Day O'Connor and Antonin Scalia, said the 1866 law was limited only to its literal wording regarding making contracts and no more, and did not apply to harassment or other work discrimination by an employer.

That limitation provoked a long dissent by Justice Brennan, who accused the majority of "selecting the most pinched reading" of the law and of "ignoring powerful historical evidence" that the Reconstruction Congress intended a broader scope for the law.

In other action Thursday, the justices gave state and state officials sweeping new protection from federal lawsuits accusing them of civil rights violations.

In a 5-to-4 ruling in a case from Michigan, the court said the states may not be sued under an 1871 law that authorizes damages against "persons" who violate people's civil liberties.

The case involved Michigan's reputed "Red Squad," a special state police unit that monitored college activists until the unit was declared unconstitutional in 1976.

WORLD BRIEFS

Paris Won't Free Pro-Iranian Inmate

PARIS (AP) — Anis Naccache, a pro-Iranian Lebanese jailed for life in France, will not be released under the Bastille Day pardon signed by President Francois Mitterrand, Justice Ministry sources said Thursday. Iran said this year that his release had been promised as part of a deal by a previous French government in return for the release of French hostages on Lebanon.

The list of 3,091 prisoners being freed over a period of four months does not include terrorists, persons sentenced to life or escaped prisoners, the sources said. The government offers amnesties each year to mark the national day on July 14, which is doubly significant this year because it is the 200th anniversary of the French revolution.

The former prime minister, Mayor Jacques Chirac of Paris, revived a debate over the price his conservative government had agreed to pay last year in exchange for French hostages released in Lebanon when he said that the anniversary might offer "an opportunity" to pardon Mr. Naccache. The prisoner was jailed for taking part in an attempt to kill the former Iranian prime minister, Shapur Bakhtiar, in 1980. Mr. Bakhtiar survived but two other persons were killed.

Israel Closes an Arab's News Service

JERUSALEM (AP) — The Israeli police on Thursday raided a news service run by Sari Nusseibeh, a Palestinian activist accused by Israel of being a mastermind and PLO paymaster of the Palestinian uprising in the occupied lands.

The authorities ordered the Holy Land Press Service closed for two years. Mr. Nusseibeh said he was told to report to police headquarters for questioning later in the day.

"The office was being used to advance the goals of the PLO and find ways to incite the uprising," said a police spokesman, Uri Sandor, referring to the 18-month-old Palestinian uprising against Israeli occupation of the West Bank and Gaza Strip.

Gandhi Rejects Pullout in Sri Lanka

NEW DELHI (NYT) — Prime Minister Rajiv Gandhi has categorically rejected a Sri Lankan government request that New Delhi withdraw its 45,000 soldiers from Sri Lanka by the end of July.

Mr. Gandhi linked Indian withdrawal to the granting of more power to Tamil areas in Sri Lanka. In effect he was saying that New Delhi, not Colombo, would decide when Indian troops would leave. He said India saw itself as the protector of Sri Lanka's "unity and integrity."

The prime minister's statement comes at a tense time for Indian civilians in Sri Lanka. They have been ordered to leave the country or face the possibility of attacks by a Sinhalese guerrilla organization drawn from the country's ethnic majority. In Colombo, a growing lobby against the Indian presence has called the Indian force an army of occupation.

Puerto Rican Separatist Is Sentenced

HARTFORD, Connecticut (AP) — A Puerto Rican nationalist was sentenced Thursday to 65 years in prison and fined \$500,000 for masterminding a \$7.1 million robbery at a Wells Fargo depot.

Juan Segarra Palmer, 39, turned to the courtroom, raised his fist and shouted, "Puerto Rico libre!" after a U.S. district court judge, T. Edmund Clarke, pronounced the sentence. Mr. Segarra, who had faced up to 135 years in prison, was convicted with three other separatists in April in the theft of the money from Wells Fargo's depot in West Hartford in 1983.

Only \$80,000 has been recovered. Prosecutors linked Mr. Segarra to several crimes in Puerto Rico, including two bank robberies, an attack on a U.S. Navy base that left two sailors dead and the destruction of nine military planes worth \$45 million.

Mr. Segarra denied he helped plan or execute the Wells Fargo robbery itself. He has acknowledged that he knew about the robbery, but said he received the money to finance the activities of a militant separatist group.

Vietnam and U.K. Spar on Refugees

GENEVA (NYT) — An international conference on Indo-Chinese refugees has ended with Vietnam and Britain failing to resolve a dispute over the forced repatriation of Vietnamese refugees who landed in Hong Kong.

The UN conference has unanimously approved a Comprehensive Plan of Action. It establishes a requirement for screening of refugees, to determine which are seeking political asylum and which are seeking better economic conditions. It endorses voluntary repatriation for those declared economic migrants. But it leaves in suspension what to do with the overwhelming majority of Vietnamese, who are likely to be denied refugee status but refuse to return to their country.

Sir Geoffrey Howe, the British foreign secretary, has demanded that all Vietnamese denied refugee status be repatriated, by force if necessary, starting no later than October. Foreign Minister Nguyen Cao Thach of Vietnam, invoking the Universal Declaration of Human Rights, said Vietnam would accept only those who volunteered to be repatriated.

For the Record

Charles W. Freeman Jr., a career diplomat, has been nominated U.S. ambassador to Saudi Arabia. Mr. Freeman, 46, has been deputy assistant secretary of state for African affairs since 1986. If approved by the Senate, he would replace Walter Leon Cutler.

Vietnam has agreed to reopen talks with the United States on allowing political prisoners and their families to emigrate there, the State Department said on Wednesday. The talks were suspended in August.

India named the former maharajah of Jammu and Kashmir, Karan Singh, 58, as ambassador to the United States on Thursday. He will replace Pratap Kishan Kaul.

TRAVEL UPDATE

Aeroflot Expands Its Service to U.S.

NEW YORK (Combined Dispatches) — Aeroflot, the Soviet national airline, is expanding its service to the United States, urging Americans to "come experience planet." The airline said its service from New York and Washington to Moscow had been increased from five flights a week to eight.

The Soviet airline has also reached agreement with the Spanish airline Iberia to set up service between Barcelona and Leningrad, according to Iberia officials. The starting date for that route has not yet been specified. There are also plans to build about 25 new hotels in the Soviet Union during the next two years, to handle an increase in foreign tourists. The airline said it will make the plan work as efficiently as possible. Aeroflot will have to work to improve its reputation for service and efficiency.

The United States and the Soviet Union have joined with the rest of the UN Security Council to urge cooperation in making plastic explosives easier to detect. The council has asked all countries to help devise a standard method of marking plastic or sheet explosives as a means of stopping airline terrorism.

WEATHER

EUROPE				ASIA			
	HIGH	LOW	PRECIP.		HIGH	LOW	PRECIP.
Algeria	25	15	0	Bangkok	32	25	0
Amsterdam	22	15	0	Beijing	28	18	0
Antwerp	22	15	0	Bombay	32	25	0
Athens	25	18	0	Brussels	22	15	0
Berlin	22	15	0	Calcutta	32	25	0
Birmingham	22	15	0	Chongqing	28	18	0
Bombay	32	25	0	Dacca	32	25	0
Brussels	22	15	0	Delhi	32	25	0
Buenos Aires	22	15	0	Dhaka	32	25	0
Cardiff	22	15	0	Hankow	28	18	0
Cairo	32	25	0	Hong Kong	28	18	0
Canton	28	18	0	Kobe	28	18	0
Chongqing	28	18	0	London	22	15	0
Cebu	32	25	0	Los Angeles	22	15	0
Colon	32	25	0	Madrid	22	15	0
Dacca	32	25	0	Moscow	22	15	0
Delhi	32	25	0	New Delhi	32	25	0
Dhaka	32	25	0	Osaka	28	18	0
Hankow	28	18	0	Shanghai	28	18	0
Hong Kong	28	18	0	Singapore	32	25	0
Kobe	28	18	0	Taipei	28	18	0
London	22	15	0	Tokyo	28	18	0
Los Angeles	22	15	0	Yokohama	28	18	0
Madrid	22	15	0				
Moscow	22	15	0				
New Delhi	32	25	0				
Osaka	28	18	0				
Shanghai	28	18	0				
Singapore	32	25	0				
Taipei	28	18	0				
Tokyo	28	18	0				
Yokohama	28	18	0				

Belgian Hostage Freed in Lebanon

Reuters

SIDON, Lebanon — A Belgian physician, Dr. Jan Cools, was freed Thursday after being held hostage for nearly 13 months.

Security sources and witnesses said the 32-year-old doctor was escorted at midday by four armed men to the house of a Muslim militia chief in this southern port.

Radical Palestinian guerrillas led by Abu Nidal played a key role in his release, but they denied that they had been holding him.

Sources at the home of Musta-

pha Saad, leader of the Sunni Muslim Popular Liberation Army, which controls Sidon, said Dr. Cools seemed in good health apart from being exhausted.

Twenty-two foreigners are missing in Lebanon and most are believed held by Palestinians or Lebanese factions. Of the 22, there are 10 Americans, four Britons, three Iranians, two West Germans, an Egyptian, an Italian and a dual Lebanese-French citizen.

The Libyan-backed Abu Nidal group said on Wednesday it was

trying to arrange the release of Dr. Cools and other hostages.

Dr. Cools, a general practitioner working for the Norwegian Aid Committee, was seized May 21, 1988, after he left a Palestinian refugee camp in southern Lebanon.

The abduction was claimed by Soldiers of the Truth, a little-known group that announced on Wednesday it would free him in response to an appeal by Colonel Muammar Gadhafi, the Libyan leader, and mediation efforts by Abu Nidal's Fatah Revolutionary Council.

UGANDA: U.S. and World Bank See African Hope

(Continued from page 1)

since Asia property owners fled after Idi Amin's 1971 coup.

But despite the guarded optimism about Uganda, some statistics show a 5 percent growth rate last year — World Bank officials acknowledge the recovery for an economy that was destroyed in the Amin and Obote governments, will take time and patience.

The country is 90 percent dependent on coffee for its export earnings at a time when prices continue to slump and Uganda's share in the International Coffee Agreement is very small. Efforts to diversify into other agricultural exports — hides, flowers, pineapples — have started haltingly.

But so far, most Ugandans, reveling in their newfound freedom of movement and expression — there

is a lively press here — seem willing to wait for the economic betterment that Mr. Museveni constantly urges them to strive for.

"For the last two years, people have not asked Museveni for anything because he has given us peace," said Wafuwa Ogutu, editor of The Weekly Topic, a newspaper that often takes a critical stand. "Just now people are beginning to ask for economic comfort."

Aside from Mr. Museveni's political pragmatism, Western donors believe that Uganda's abundant agricultural fertility gives the country a basic start that many other African countries lack.

The United Nations Children's Fund does not have a nutrition program in Uganda because malnutrition, as distinct from disease, is not pervasive.

But the life expectancy rate has not improved much in the last two decades. In 1970 the World Bank put life expectancy at 47; by 1987 it had increased to 48. The per capita income in 1987 was \$260.

As part of the World Bank austerity program, the Ugandans agreed to, there have been several devaluations of the Ugandan currency since 1987. The bank has encouraged the government to increase producer prices and reduce the budget deficit. These measures have reduced inflation from its triple figure rate of two years ago but not as much as banks would like.

Most assuring are the streets. Pervasive fear has disappeared. Sidewalks that emptied at 3 P.M. so workers could scurry home to avoid the nightly shootings, remain crowded until after dusk. Traders in a busy back street, crowded with stalls selling soap, sugar, salt, lotions, cooking utensils, rush about with wads of currency openly carried in their hands.

The bank is encouraged by the government's willingness to go af-

ter the corruption that was a legacy of earlier governments and appears, in some areas, to have been scaled down.

The president appointed Augustine Ruzindana as inspector-general of government, a man who concedes there is still too much corruption but who says he has been able to raise the public consciousness.

He said in an interview that "people are no longer proud" to steal from the government. The government opened a commission last month to fund ways to cut back the severely overstuffed and underworked civil service.

While Kampala's markets are well stocked, making ends meet remains extremely tough in the city. In increasing numbers, parents unable to afford even minimal school fees are taking their children out of school. Civil servants who earn an average of 2,000 shillings a month — \$10 at the official exchange rate — spend long hours out of the office in second jobs.

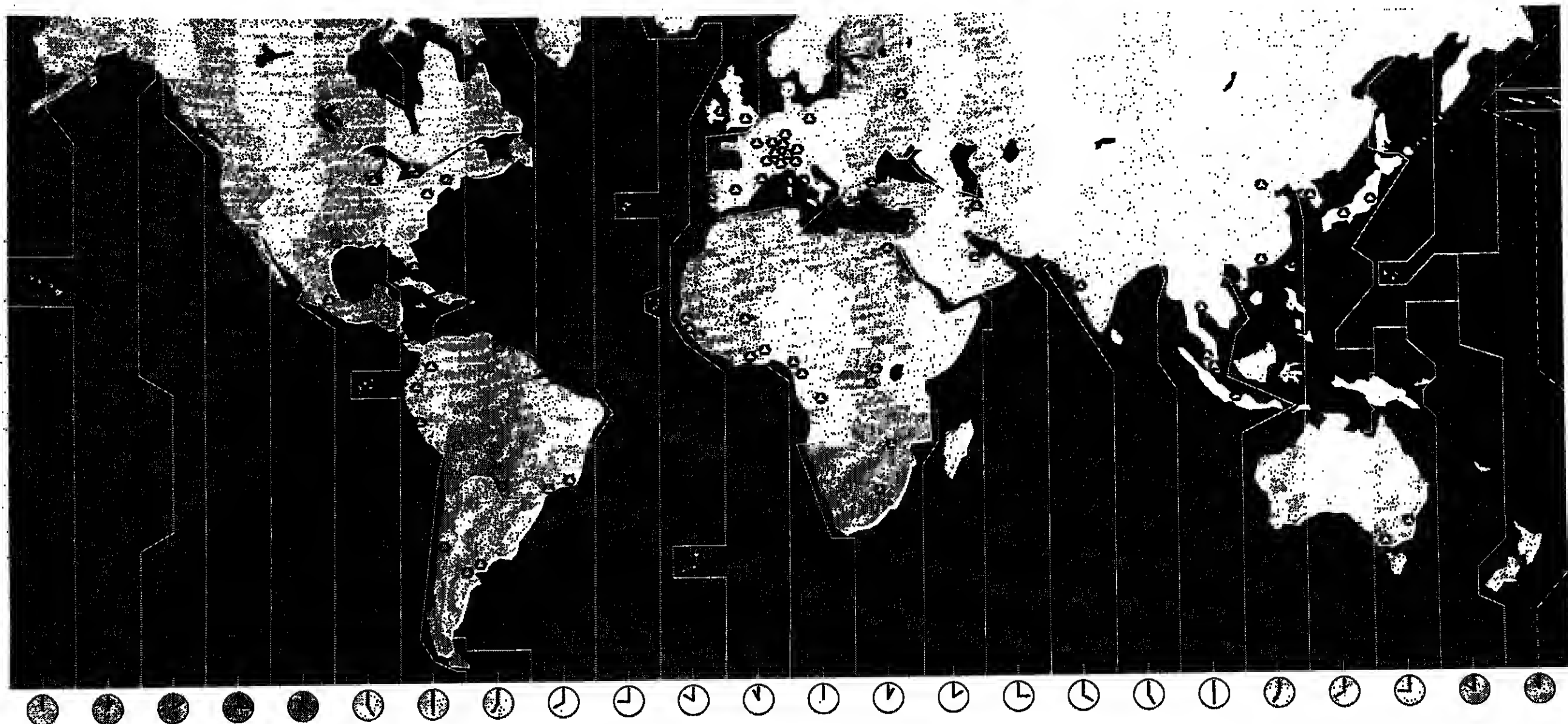
Top university lecturers, paid monthly salaries of 5,000 shillings, schedule their classes around vital extracurricular jobs.

The tide of departures that swept the educated classes in the 1970s and well into the 80s has been reversed. Increasing numbers of exiled Ugandans, many of them products of the school and university system that had the reputation as the best in sub-Saharan Africa, have returned.

At the head of the comeback attempt sits President Museveni, 44, one of several modern African leaders who was in school when the colonialists left in 1962.

A graduate of Dar es Salaam University in Tanzania, he remained in exile in the Amin years and then took to the bush in 1981 with 26 colleagues.

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in-depth market analysis as well as trade and investment financing, purchasing and selling foreign currencies, and ensuring a smooth transfer of funds — 24 hours a day.

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An East-West Balancing Act: Bonn Gains in Gorbachev Trip

By Robert J. McCartney
Washington Post Service

BONN — The West German government successfully staged a tricky balancing act this week by giving Mikhail S. Gorbachev a warm reception on a landmark visit without aggravating U.S. fears that Bonn was drifting away from the Western alliance.

As a result, West Germany achieved a much-desired leap in its prestige and influence in East-West relations and has secured more firmly its role as Western Europe's most important power.

As adoring crowds of West Germans hailed Mr. Gorbachev wherever he appeared in public during his four-day tour, their leaders said at every opportunity that Bonn's blossoming friendship with Moscow would not jeopardize ties in the United States and the other nations in the North Atlantic Treaty Organization.

Chancellor Helmut Kohl's special effort to calm U.S. and other allied anxieties, West German officials said, because this year has been marked by unusually severe strains between Bonn and Washington over Western alliance nuclear policy and German companies' help in building a chemical factory in Libya.

Mr. Kohl, his assertive pro-Western foreign minister, Hans-Dietrich Genscher, and other government spokesmen repeatedly said that Bonn's ties to NATO and the European Community were perma-

nent and not subjects for discussion.

Mr. Kohl also expressed Bonn's continuing unhappiness over the Berlin Wall, the division of Germany.

NEWS ANALYSIS

ny, and Soviet superiority in conventional forces and short-range nuclear missiles.

Even Mr. Gorbachev joined the campaign in reassurance Washington. Referring to the U.S. role in Europe, the Soviet leader said Thursday as a news conference, "I cannot imagine a realistic policy by the Soviet leadership that had the aim of pushing the United States out of hampering the position of the United States."

Bonn officials said that Mr. Gorbachev's statement had echoed repeated private comments by Soviet officials in their West German counterparts that Moscow has accepted that it is fruitless and potentially destabilizing in try to drive a wedge between West Germany and its allies in the North Atlantic Treaty.

Several U.S. officials praised Mr. Kohl on Thursday for what they called his balanced handling of the trip.

A U.S. official said that both Mr. Gorbachev and Mr. Kohl had been careful not to give "further currency" to concerns about West Germany's reliability as a NATO ally. "Kohl wants to show that you can have good relations with both Mos-

cow and Washington," the official said.

Mr. Gorbachev's visit was particularly important for West Germany because it conclusively ended a period of several years in which Moscow kept Bonn at arm's length diplomatically.

After Bonn's decision in 1983 to deploy U.S. medium-range nuclear missiles, the Soviets consistently accorded West Germany more frosty treatment than it offered to other leading NATO allies. West German officials watched with frustration as Mr. Gorbachev made trips in Washington, London and Paris but, until now, never to Bonn.

As East-West relations improved, however, Soviet-West German ties also warmed. Having finally been honored with the Soviet leader's presence in Bonn, Mr. Kohl now can justly claim to have strengthened his country's role in world affairs.

The loosening of the blocs has shown that the political dwarf West Germany is waking up and, courted by both superpowers, is growing up in a normal size as the center power in Europe," a commentary in the moderate Munich daily *Süddeutsche Zeitung* said.

Mr. Gorbachev's visit also provided Chancellor Kohl with a perfectly timed opportunity to play the role of world statesman on the eve of critical elections Sunday for representatives in the European Community's legislature and local offices in Rhineland-Palatinate and Saarland.

Ryzhkov Accuses Officials In Rioting

By Michael Dobbs
Washington Post Service

MOSCOW — Prime Minister Nikolai I. Ryzhkov on Thursday accused acquiescent Communist Party officials and opponents of change of responsibility for the worst ethnic unrest in the Soviet Union for many years.

Speaking at the end of a four-day tour of Uzbekistan, where about 100 people have been killed over three weeks, the prime minister described the disturbances as a "well-planned, large-scale, and skillfully implemented political attack."

Earlier, he accused unnamed local officials of taking part in pogroms against the minority population of Meskhetian Turks.

Senior Interior Ministry officials now say that the city of Fergana, the focal point of the unrest, was "fully under the control" of security forces.

More than 15,000 Meskhetians have been evacuated in central Russia following the attacks by gangs of young Uzbeks.

The unrest in the Fergana region, one of the Soviet Union's main cotton-growing areas, comes against the background of a fierce struggle for power in Uzbekistan. Over the last few years, hundreds of prominent Uzbek officials have lost their jobs or been sent in prison after being accused of corruption and bribery.

Some Soviet papers and broadcast services have suggested that the ethnic violence could have been intended as a provocation against change-minded - Soviet leaders, including President Mikhail S. Gorbachev, who have encouraged the corruption investigation.

It is impossible to check these allegations as the region has been closed to Western journalists since the disturbances began. The conspiracy theory has been endorsed by Mr. Ryzhkov who toured the Fergana Valley and surrounding areas with a Politburo member, Viktor M. Chernomyrdin, the former head of the KGB security police who now oversees public order in a Communist Party post.

In comments to party activists Wednesday night, Mr. Ryzhkov said it had been established that some party and local Soviet officials were involved in the anti-Meskhetian action. "I would like to make them answer to innocent people," he said. "I have seen a lot in my life, but the things I came across in the refugee camp for Meskhetian Turks beat everything."

The prime minister later flew to Moscow to report to Mr. Gorbachev, who returned in the evening from his visit to West Germany.

Fergana Valley was for many years controlled by a Communist Party official, Akhmadzhan Adilov, who ruled over 30,000 people on a semi-feudal basis. Soviet press accounts have said that Mr. Adilov, who was executed last year, lived on a huge estate surrounded by peacocks and conurbations, and locked away his enemies in an underground prison.

The campaign against corruption has antagonized many Uzbeks, who argue that their republic has been unfairly singled out.

Some Soviet officials, including President Gorbachev, have said that resurgent Islamic fundamentalism contributed in the unrest.

Chronic economic problems also appear to have fanned the violence. Many of the teen-agers and others who lined in the gangs of marauding Uzbeks are unemployed.

The weekly Moscow News said that other minority groups in Uzbekistan felt threatened because of the latest bloodshed. It paper cited the 300,000 Crimean Tatars and 200,000 Koreans who were deported in Central Asia under Stalin.

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Ethnic Turks deported by Bulgaria carry or push their possessions across the border into Turkey.

Bulgaria Expels More Ethnic Turks, Raising Total in a Month to 20,000

By Thomas Goitz
Washington Post Service

EDIRNE, Turkey — About 10,000 ethnic Turks have been forced from Bulgaria into Turkey over the last week and at least 3,000 more are arriving each day, according to border officials.

The total of ethnic Turks who have been deported since the campaign began a month ago now is said to be more than 20,000.

The Turks, who appear to come from all walks of life and are of all ages, were reportedly given only 24 hours in pack and leave, after having been forced to take passports valid only for Turkey.

Refugees said they were required to leave property, bank accounts and family members behind in their headlong rush to leave the country.

"It is theft by the state," said Mehmet Yusufoglu, 47 years old,

an electrical technician from Shumen, who crossed into Turkey with his son and a group of medical students.

Beginning in December 1984, and ending two months later, the Bulgarian authorities attempted to change the ethnic demographics of the country by forcing the Turkish minority, variously estimated to total 1 million to 2 million in a total of 10 million people, to take Slavic names and to deny their ethnic heritage and language.

Opposition to the Bulgarianization campaign was suppressed and, officials announced in March 1985 that there was "not one Turk" left in the country.

Then last month, the ethnic Turks, in association with two new human-rights associations, began a series of passive protests to recover their rights and names.

Bulgarian crackdowns on the

leadership led to demonstrations and marches. Several of these, notably one at Karlovo, resulted in death when the police opened fire. By the middle of the month the authorities began summarily to deport suspected leaders to Turkey via Austria and Yugoslavia.

By the end of May, trainloads of Turks were being dumped at the Turkish border. Turkey called on Bulgaria to negotiate a comprehensive migration agreement.

Bulgaria's response was wholesale expulsions. This started in the first week of June, when police backed by soldiers surrounded Turkish villages and forced residents to accept passports valid only to cross into Turkey.

■ Turkey Calls for Talks

The Turkish prime minister, Turgut Ozal, said on Thursday that Ankara wanted talks with Bulgaria on the ethnic Turk issue, Reuters reported from Ankara.

5 Countries Open Voting On Europe's Parliament

Agence France-Press

BRUSSELS — Voters turned out in five countries Thursday to elect representatives for a new five-year term in the European Parliament in Strasbourg.

Spain, the Netherlands, Denmark, Britain and Ireland were the first countries in choose representatives.

Most results were not expected to be known until late Sunday, however, after the second phase of voting in the seven other member states of the European Community — Portugal, Luxembourg, West Germany, France, Greece, Italy and Belgium.

Though drawing on one of the world's biggest democratic elections, a high rate of absenteeism was expected and many places were viewing the vote as more a barometer of their national political scene.

Of those voting Friday, only Ireland, which is holding simultaneous legislative elections, and the Netherlands, where the vote is seen as a test for early general elections in September, were expected to see a sizable turnout.

The 518-member European Parliament is now roughly split into equal left and right blocs and has been led by a conservative coalition. But this could change if final results bear out forecasts for a gain by the left, including the Green parties.

In Ireland, the 2.4 million electorate will be deciding on its 15 delegates to the assembly as well as the 165 deputies to the Dail, the Irish parliament, where Prime Minister Charles Haughey of the Fianna Fail party heads a minority government.

He called the general election in a bid to secure a majority, though opinion polls have not been hopeful. The local contest, disputed by 367 candidates, however, is expected to bring out more than the 47 percent who voted in the last European elections, in 1984.

In all, more than 220 million of the 320 million citizens of the European Community are eligible to vote for the 518 deputies.

The European Parliament has largely consultative powers over EC-wide legislation that is planned by the EC Commission, the executive, and approved by the Council of Ministers, the highest decision-making body.

GORBACHEV: Berlin Wall

(Continued from page 1)

fail, he said that if it did "this could cause major damage to the process of improving relations in the world."

During Mr. Gorbachev's visit, officials traveling with him suggested several times that the "German question" could eventually be resolved by bringing relations between the two Germanies to the level of West German-Austrian relations.

Such soothing sounds abounded in the finale of a visit during which Germans chanted "Gorby, Gorby" at the Soviet leader's every stop.

The cheers followed Mr. Gorbachev to the end. Nine thousand workers in white hard hats roared their support at the giant Hoesch steel works in Dortmund as the Soviet delegation made a final exit.

Partial Ban on Ivory Is Announced by Japan

Reuters

TOKYO — Japan, the world's biggest importer of ivory, will ban some imports to help save Africa's elephants, the Ministry of International Trade and Industry announced Thursday.

It said it would ban imports of ivory beginning Monday, except for raw ivory from African producer countries that regulate such trade in keeping with a world convention on endangered wildlife.

The ban will apply to ivory products and scrap imports, except carvings shipped on and before Monday. As of Tuesday, will also prohibit all raw ivory imports except carvings directly shipped from the countries of origin.

IMMORTAL: Reagan Honored

(Continued from page 1)

ences, was elected in the Congress of People's Deputies, had left him feeling more optimistic about democracy's future than ever before in his life.

"These are days of the triumph of freedom and knowledge and from the bottom of my heart I thank you for this honor you have done to me and God bless you all," Mr. Reagan ended to a standing ovation.

Mr. Reagan left the academy with two new medals and Mrs.

Reagan with two antique engravings. Their trip in Europe, which marks Mr. Reagan's transformation from politician to elder statesman, began in London, where he was given the insignia of an honorary knighthood by Queen Elizabeth II, and dined with his friend, Prime Minister Margaret Thatcher.

The Reagans will return in the United States on Sunday, having spent Saturday evening at a gala celebration of the centennial of France's own iron lady, the Tour Eiffel.

Reagan with two antique engravings. Their trip in Europe, which marks Mr. Reagan's transformation from politician to elder statesman, began in London, where he was given the insignia of an honorary knighthood by Queen Elizabeth II, and dined with his friend, Prime Minister Margaret Thatcher.

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Japanese Query Boeing Payment

Reuters

TOKYO — Japanese opposition members of the Diet, or parliament, are questioning a large initial government payment in Boeing for two jumbo jets, a Japan Socialist Party spokesman said Thursday.

The purchase of two 747-400s for 36 billion yen (about \$40 million) was arranged in 1987 during the administration of Yasuhiro Nakasone.

"Our suspicions were raised because the up-front payment for the aircraft was too large," said an aide to a Socialist legislator, Issei Inoue, adding that it was "more than half the total price."

The new study, published Thursday in *The New England Journal of Medicine*, did not address the risk of cancer and other diseases among smokers. Previous studies have suggested there may be slight health benefits in switching to the low-yield cigarettes.

The study is one of the largest to investigate the relationship between low-yield cigarettes and risk of heart attacks. The study involved more than 3,000 women under the age of 65.

The researchers said they focused on women because most of those who smoke low-yield cigarettes are women. Moreover, public health education efforts to reduce smoking have been least effective among women, the researchers

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Those ads are just a smoke screen," he said. "They may not make specific health claims, but they imply that the brand with the lowest tar and nicotine is healthiest. The study shows that just isn't true."

The study was conducted from July 1985 to June 1988. The researchers compared the smoking habits of 910 women who had heart attacks with 2,375 who did not have heart attacks.

Researchers found that the type of cigarettes smoked had no statistical bearing on the increased risk of heart attacks.

"Unfortunately," said Dr. Neal L. Benowitz, the author of the editorial, intensive smoking of low-yield cigarettes "reduces, or even negates, any possible differences in yield."

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Light Cigarettes Don't Cut Heart Risk

New York Times Service

NEW YORK — Smoking cigarettes with less nicotine and carbon monoxide than regular cigarettes does not reduce the risk of heart attack, a new study has found.

The researchers said the findings contradicted advertising campaigns suggesting that the low-yield cigarettes, marketed as lights or ultralights, are less hazardous than other cigarettes. In general, the risk of heart attacks for smokers is four times greater than it is for nonsmokers, the study said.

The new study, published Thursday in *The New England Journal of Medicine*, did not address the risk of cancer and other diseases among smokers. Previous studies have suggested there may be slight health benefits in switching to the low-yield cigarettes.

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U.S. Drops 5% Limit Imposed on Pakistan For Enriched Uranium

By David B. Ottaway

Washington Post Service

WASHINGTON — The Bush administration has dropped its demand of the last five years that Pakistan pledge not to enrich its uranium above 5 percent, according to U.S. and Pakistani officials.

They said the administration did not ask Prime Minister Benazir Bhutto, who was here on a state visit last week, for a recommitment to the pledge that President Ronald Reagan first demanded in 1984 of President Mohammed Zia ul-Haq, the late Pakistani leader.

The dropping of the demand means that Pakistan now could produce highly enriched uranium without risking a cutoff of U.S. economic and military aid, the officials said.

Miss Bhutto promised during her visit that Pakistan would not produce "weapons-grade uranium," which is generally considered to be material enriched above 90 percent, or take the final step to assemble a nuclear device.

The policy shift appears to stem from a desire to set a new marker for the Bhutto government and to give the president the benefit of the doubt on her own pledge. Equally, however, it is a recognition that U.S. intelligence agencies concluded long ago that Pakistan had violated the 5 percent pledge and was enriching uranium to a level even above 90 percent.

A U.S. official said it was no longer clear "what particular significance" the 5 percent figure had or "where it came from" in the first place.

"Legitimate nonweapons needs is enriching to up to about 30 percent," the official said. Anything between 30 and 90 percent is "sort of undetermined," he added.

Press in Iran Welcomes Move to Return Envoys

Agence France-Presse

TEHRAN — Two Iranian newspapers have welcomed decisions by France and West Germany to return their ambassadors to Tehran, saying the moves showed recognition that Iran was politically stable following the death of Ayatollah Ruhollah Khomeini earlier this month.

The Tehran Times said, "Tehran will most likely give a positive response to this positive political move by Bonn and Paris." The West German envoy was to return on Wednesday and the French ambassador in the near future. The two were withdrawn in February during the Salman Rushdie affair.

Some U.S. nuclear power plants use uranium enriched well above 5 percent. The U.S. government and the International Atomic Energy Agency, however, regard uranium enriched above 20 percent as "highly enriched."

Reports of the administration's easing of U.S. demands on Pakistan brought a strong reaction from Senator John Glenn, Democrat of Ohio. Mr. Glenn, chairman of the Governmental Affairs Committee, has led the Senate battle for a tougher U.S. nuclear nonproliferation policy.

"When you give on that, where do you stop?" he said, referring to the 5 percent level.

A commitment not to enrich uranium more than 5 percent, he said, was "certainly the most conclusive" statement the United States ever obtained from Pakistan as an assurance that it did not intend to build a nuclear bomb.

In a September 1984 letter to General Zia, Mr. Reagan threatened "grave consequences" for U.S.-Pakistani relations if Pakistan exceeded the 5 percent level at its secret Kahuta enrichment plant. Mr. Reagan did not spell out the consequences.

While U.S. law calls for an aid cutoff if Pakistan builds an atomic bomb, Congress has never passed legislation that sets the 5 percent enrichment level as the trigger for a cutoff.

But General Zia apparently feared an aid cutoff. In reply to Mr. Reagan he pledged that Pakistan was not seeking to build a nuclear bomb. Pakistani officials now say that General Zia, who died in a plane crash last August, never committed himself to any specific enrichment level, only to avoid production of "weapons-grade uranium."

Leonard S. Spector, a specialist in nuclear nonproliferation at the Carnegie Endowment for International Peace, said that it was "technically" possible for Pakistan to produce fuel for a bomb if the uranium was enriched at "anything over 20 percent."

But he added that "realistically speaking" such fuel has to be enriched above 90 percent to keep the amount of material small enough for a normal-size bomb or missile warhead.

Both President George Bush and the Central Intelligence director, William H. Webster, told Miss Bhutto at length of U.S. concerns about the advanced stage of Pakistan's nuclear weapons program. In an highly unusual step, Mr. Webster told Miss Bhutto what the CIA knows about the state of the Pakistani program, congressional sources said.

Senate Clears Burt to Head START Team

Washington Post Service

WASHINGTON — The Senate has overwhelmingly confirmed Richard R. Burt as chief U.S. negotiator on strategic arms reduction, rejecting charges by Senator Jesse Helms, Republican of North Carolina, that the former journalist and Reagan administration diplomat has demonstrated a "pattern of negligence" toward security.

The vote Wednesday was 89 to 10, with the chairman of the Senate Select Committee on Intelligence, David L. Boren, Democrat of Oklahoma, joining Mr. Helms and eight other conservative Republicans in opposing the choice of Mr. Burt for the job, which holds the rank of ambassador.

The Senate also confirmed John D. Negroponte as ambassador to Mexico, Bernard W. Aronson to be assistant secretary of state for Latin American affairs, and John H. Kelly to be assistant secretary of state for Near Eastern and South Asian affairs. Mr. Negroponte, a former member of the National Security Council staff, won confirmation despite questions about a possible role in the Iran-contra affair.

Cold Fusion Collaboration Is Set Back

By William J. Broad

New York Times Service

NEW YORK — The Los Alamos National Laboratory says that months of foot-dragging at the University of Utah have resulted in the collapse of plans for a collaboration between the two institutions on low-temperature, or "cold," nuclear fusion.

The news represented a significant setback for cold-fusion hopes, since the University of Utah had originally advertised the collaboration as a way to dispel growing doubts about the credibility of its findings.

The joint effort would have given outside observers access to subtle or hidden details of the experiment, helping to verify its correctness or to detect error.

Dr. B. Stanley Pons of the University of Utah and Dr. Martin Fleischmann of the University of

Southampton in England shocked the world in March by saying that they had achieved fusion in a simple table-top apparatus.

Nuclear fusion powers the sun, the stars and hydrogen bombs, fusing atoms rather than breaking them apart as is done in nuclear reactors. A controlled way to release its energy has been sought for decades, since such a release would generate vast amounts of electricity. Usually, fusion requires extreme heat, but the Pons-Fleischmann process was said to have worked at room temperature.

The proposed collaboration to validate the discovery was announced April 27 in Washington at a hearing of the House Committee on Science, Space and Technology.

By late May, when no collaboration had materialized, both the University of Utah and Los Alamos ascribed the problem to Utah

patent attorneys' fears that intellectual property rights would be compromised in a joint effort. But they added that an agreement in principle had been worked out and was nearly ready for signing.

On Tuesday, Dr. Sig Hecker, the director of the Los Alamos laboratory, said that no agreement had materialized and that months of inaction had led Los Alamos to drop the plan.

In the future, Mr. Hecker said, active negotiations could resume if

the University of Utah expressed a sincere interest and took prompt action.

Dr. James J. Brophy, director of research at the University of Utah, agreed Tuesday that the university's "foot-dragging" had been the problem.

"We'd still like to work with Los Alamos," he said. "I can see how they'd be a little peeved. The scientists want to tell everything, but the patent attorneys tell us to say absolutely nothing."

U.K. Fusion Attempts Fail

Reuters

LONDON — Scientists from the British Atomic Energy Authority said Thursday that they had failed after exhaustive research to duplicate an experiment in nuclear fusion at room temperature.

After more than 100 experiments, the team leader, David Williams, said the fusion findings announced by Professors Martin Fleischmann and B. Stanley Pons in March could not be supported.

Mr. Fleischmann, a Briton, and Mr. Pons, an American, said they had produced energy at laboratory temperatures, copying the nuclear reaction occurring in the sun's core.

"What we have to recognize is that brilliant people have made ideas," Mr. Williams said. "Not every mad idea works out."

The Harwell verdict dampened hopes of harnessing a new and virtually limitless source of energy using sea water.

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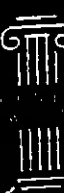
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INTERNATIONAL Herald Tribune

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The Long Greek March

People who want Greece to be part of modern Europe will be hoping that Prime Minister Andreas Papandreu does either much worse in Sunday's general election than the opinion polls suggest he will do—or, conceivably, a lot better. The result of the polls appear to be forecasting would be just about the worst possible one for Greece, and for Greece's friends.

The polls say that Mr. Papandreu's Socialists will finish behind the conservative New Democracy Party, but could still do well enough to deny New Democracy a majority in parliament. That may seem extraordinary. Mr. Papandreu has fumbled the nonfarm part of the economy; he has been hit by two big scandals; at 70, he faces the voters after a triple-bypass heart operation and a messy love affair. If he does keep New Democracy out of office it will be partly because he has changed the voting system to achieve just that, partly because during his eight years in office Greek farmers have done well out of the European Community—and partly because, in this Levantine-Europe, many people still vote for a chieftain, not for policies and performance.

If the election gives the Socialists this blocking second place, the risk is obvious. Mr. Papandreu may then try to form a government in alliance with the group that will place third in the election, a collection of Communists and left-wing Socialist defectors. This group represents the most backward-looking part of Greek politics. Its instincts are against any serious modernization of the economy. It is the home of last-ditch anti-Americanism. Much of it still dislikes the European Community. A government dependent on such people would be a mess.

Back From the Brink

With talks on strategic arms set to resume next week, Soviet and U.S. military chiefs have just signed an agreement to help reduce the risk of war by accident and miscalculation. That could do as much to preserve peace as would deep cuts in nuclear arms.

Called, appropriately enough, "The Prevention of Dangerous Military Activities," the accord restrains precipitous action in the case of military aircraft or troops violating national borders by accident or in an emergency. It also bars peacetime interference with communications used for command and control of military forces. Further, it provides for direct communication between the two sides in tense areas like the Gulf.

The accord, like those providing for hot-line exchanges, recognizes that in a crisis

Things would be slightly less bad if the Socialists, confounding the polls, did well enough to form another government on their own. In Mr. Papandreu's condition, this would be no feat of vigor. But Mr. Papandreu appears to have shed the worst of his old ideas. He now accepts Greece's place in the European Community and (if permitted the occasional nag) the North Atlantic alliance. He has rather bravely tried to make up with Turkey. He has kept his dislike of America more or less under control. A third Papandreu term would limp, but it probably could be lived with.

And if the voters do after all give New Democracy enough votes to govern? In the economy, the conservatives might at last take a serious knife to the deadwood of the public sector, and encourage the small technology-based industries and services that are Greece's best hope of growth. They undoubtedly would run a steadier foreign policy than Mr. Papandreu's. Yet New Democracy is by no means the whole answer to the Greek problem. Its commitment to liberal economics is less than rock-solid. It too is touched by that nervous Greek nationalism. Its leader, Constantine Mitsotakis, remains a blur to the outside world.

Greece is still creating the sort of parties a mature democracy needs—parties based on ideas and interests rather than factions, and capable of rising above the interests of those who vote them into power. Even now, the slow Greek march to full democracy is impeded by the after-effects of the civil war of 40 years ago. The ghosts of its victims and its defeated still hover over today's politics. The specter is fading, but the election of 1989 has not completed the exorcism.

INTERNATIONAL HERALD TRIBUNE

As Red Flags Flew, He Sought to Reassure

By Flora Lewis

BONN — Big red hammer-and-sickle flags waved over the flourishing German capital. But they signified the opposite of the old dreams of Lenin, Trotsky and Stalin, and the capital was Bonn, not Berlin.

The Soviet leader, Mikhail Gorbachev, came to this once-quiet Rhineland town, now the head of an economic giant, to reassure and ask for investment and expertise, not to wield dominion.

He told West German businessmen about his difficulties trying to transform communism's "command economy" into a "socialist market economy," and he urged them to bet on his plans.

Ecstatic crowds welcomed him at City Hall. "I don't know," said Egon Bahr, an opposition Socialist leader, "we have never been threatened by the West. The only threat has always been from the East. Now this man comes to say he is taking away the threat, and the people like it."

Why do they believe it? "Because he has shown he's serious, and he runs a real risk, personally and for his empire," Mr. Bahr said. "Remember another general secretary who told the West, 'We will bury you.' This one says he wants to join us."

The new sense of weight among the world's major players matters to West Germans. Mr. Gorbachev confirms what President Bush told them two weeks ago about their importance.

East and West are moving toward each other and they are at the center, just as they were at the front during two generations of confrontation. Bonn's place as a world capital is so new that it is full of streets named after men I know personally — Adenauer, Heuss, Ollenhauer, Brandt, Eritz.

In Bonn for Gorbachev's visit, one sensed neither power-flexing nor a feared drift to neutralism.

Eider, Heinrich Lübke — though not Kaiser Friedrich, of course. That says something about how long I have been coming here. I suppose, but it is also a reminder of how short this robust state's history has been.

It is moving still, but there is neither an atmosphere of power-flexing nor of drift toward neutralism, which worries the French and British. Official Bonn is clear about this. Even if it were not, or if new people came to office, Soviet policy no longer offers opportunity for any such visions.

Mr. Gorbachev told the foreign minister, Hans-Dietrich Genscher, unambiguously that Moscow wants developing cooperation in Europe to involve the United States, not to work against America or drive it out. The reasons are persuasive.

Above all, the Soviets want stability in Europe now and they have come to see it only works with the United States here. Some vital issues, mainly military, have to be solved directly between the United States and the Soviets. And Soviet relations with the West Europeans are inevitable.

by influenced by both Soviet and European ties with Washington. The vaporous "joint declaration" signed by Mr. Gorbachev and Chancellor Helmut Kohl as the philosophical basis for German-Soviet ties says "the United States and Canada also have their place" in a future "peaceful European order or a common European home."

It expresses trust "in the long-term predictability of each other's policies," a way of saying Moscow is not seeking to pry Bonn loose. There is some bewilderment here at all the talk about possible reunification of East and West Germany, about the lurch Moscow could offer if it played that "German card." People insist that it comes from outside, that it is not West German talk or a real preoccupation any longer.

That is somewhat dangerous. Of

icials here have been mouthing the words about German unity for so long they do not hear themselves still saying it. Mr. Kohl did it again this week. But it is true that there is more concern now about improving conditions in the East, so that people would feel content to stay there, to travel freely and return, than about restoring a German state in which they all would live.

"It is conceivable now that we will overcome the division of Europe without overcoming the division of Germany," politicians are beginning to say, though still in private.

And there is a keen sense that the growing practical unity of Western Europe must keep ahead of the new openings to the East. Mr. Genscher's stand is that further consolidation of the European Community, with a common currency and a central bank, is an essential balance to the eastward policy.

Only Prime Minister Margaret Thatcher holds out against this linkage, and she is likely to be dragged along because otherwise Britain would be left behind.

The assumptions that the new Europe lying mistily over the horizon, waiting to emerge from the decaying shrouds of the Cold War, will revert to old patterns comes from a failure of imagination. It could happen, but it is not inevitable. It isn't even likely.

The New York Times

They Always Remember The Graves

By William Pfaff

PARIS — China's authorities would now like to deconstruct the truth about the recent past in order to prevent past from influencing future. The effort reveals how out of touch with their times the old men of Beijing are.

Their model in this effort is, of course, Stalinist, memorably epitomized by two Western authors, Hannah Arendt and George Orwell. Orwell imagined the "Ministry of Truth," whose task was to lie, and its "Records Department" (where Winston Smith worked), which rectified history by continuously rewriting newspaper files and books to make the record of history serve the changing needs of those in power.

The ministry's principles are now being applied in China, where the printed and televised record of Beijing's 50 Days has been revised to present to the Chinese an account of unprovoked attacks on soldiers and rampages by "hooligans."

The past is recited, as Orwell wrote, to prove the party eternally right. "In this way predictions made by the party could have been correct. . . . All history was a palimpsest, scraped clean and reinscribed exactly as often as was necessary."

Orwell's fiction elaborates what actually went on in the Soviet Union. Books and periodicals that contradicted what the Communist Party currently held to be true were, from the 1920s until quite recently, "corrected" or removed from Soviet libraries and archives.

The official Communist Party history was redrafted to suit those in power. Witnesses were murdered. As Hannah Arendt remarked in "The Origins of Totalitarianism," when Stalin ordered the history of the Russian Revolution rewritten to enhance his own role and eliminate or discredit those of his rivals, "the propaganda of his new vision consisted in destroying, together with the older books and documents, their authors and readers."

At this very moment the Soviet government and Soviet historians are struggling with the problem of the secret protocols to the Nazi-Soviet pact of 1939, which partitioned Poland between the two countries and assigned to the Soviet Union the independent countries of Estonia, Latvia and Lithuania (which the Soviet Union annexed that October).

Soviet history has for 50 years denied the existence of these protocols. It has claimed that the people of the three Baltic nations "spontaneously" demanded union with the U.S.S.R. Everyone seriously acquainted with the matter knows this is rubbish. But where is the record? It was long ago destroyed in the Soviet Union.

In Moscow, the matter remains officially unresolved. For if the Soviet Union acknowledges that the Baltic states were forcibly annexed — if it admits the truth — it follows that Estonia, Latvia and Lithuania should be given back their independence.

China's leaders are attempting to suppress the truth about what happened there. Soviet cynics demonstrate that it is useless to try. In respect Orwell, whose novel ended in deep pessimism, has proven wrong.

Hannah Arendt was right. She wrote (in 1951): "It may be that even our generation will live to see a time when it is permitted to forget [totalitarianism]. . . . The utility of totalitarianism in the long run is as essential an aspect of the phenomenon as the offensive inhumanity of the techniques for which it is prepared to commit its monstrosities." This is where we have arrived today. Totalitarianism experiences collapse, the consequence of its inherent sterility.

Truth, then, does prevail. What was, and thus is. It is as simple as that. An American, longtime resident in Russia, said to me a few years ago, speaking about the mass executions committed during Stalin's agricultural collectivization campaigns of 1929-1934, "Any peasant can show you the graves." Those peasants may have been afraid for many years to show you the graves, but the graves were there, and everyone knew they were. Today, in the Soviet Union, the graves are being opened, the crimes acknowledged. Not only does the truth prevail, the dead walk.

No matter what the Chinese authorities want their people to believe about the 50 Days at Tiananmen Square, and about the murders that followed, and no matter how many participants and witnesses now are killed or jailed, those events happened. Having happened, they will make a difference to the future.

International Herald Tribune
© Los Angeles Times Syndicate

For the Poles, An Uncertain Road Awaits

By Abraham Brumberg

WASHINGTON — Something unprecedented has just happened in Poland: a popular movement forced the ruling Communist Party to relinquish its claim to legitimacy.

Although the party-dominated coalition will continue to control the Sejm, or lower house of parliament, Solidarity is undoubtedly riding a crest of euphoria after the elections in which opposition candidates all but swept the 100-seat Sejm and in which the voters rejected the candidacies of 33 senior Communist and government officials running unopposed for the Sejm.

Yet, nearly 40 percent of the voting population did not go to the polls at all. There is considerable evidence that most Polish citizens are as depressed about the state of the country's economy, with its pervasive shortages and nearly 100 percent rate of inflation, as they are gloomy about the future.

At the roundtable talks that led to the re-legalization of Solidarity, there was virtually no discussion of any concrete economic policies. The emphasis, on both sides, was on a political solution. The "understanding" on economic matters promised everything from a radical swing in housing construction to an end of inflation. It did not tackle the crucial question of how to combine economic progress with a heavy dose of austerity — or, for that matter, how to raise the billions of zlotys needed to reach these goals.

The assumption that a change in the system of power is the necessary precondition for economic reform is eminently sound. But at what price? The West may at last be willing to advance credits to Poland, but on conditions that Solidarity may find hard to swallow.

Since no immediate improvement is likely, industrial unrest may again erupt. This time Solidarity may find it impossible to resist workers' demands for higher wages, which will accelerate the inflationary spiral. The 40 percent of eligible Poles who did not vote may swell to an angry and not so silent majority. Radical opposition groups, which boycotted the elections as a "sellout to the Reds," may grow stronger. Many thoughtful Solidarity leaders are painfully aware of these problems. But it remains to be seen whether they can do anything about them.



There are those in Poland who maintain that Solidarity should have boldly proposed taking over the reins of power. How would the party have reacted? Since Soviet intervention and martial law are no longer realistic options, it might well have agreed to assume the mantle of opposition — as some of its leaders have already indicated it would, sooner or later. This in turn could lead to the defection of party hard-liners, even to the formation of two distinct Communist parties.

However, Solidarity, perhaps unwilling to be seen as rescuing the party, refused to have the challenge. And so, the Communists in effect continued to rule by the good graces of their adversaries. Poland may well find itself in the grip of protracted paralysis.

Another worrisome development is the increasing tendency of the Roman Catholic Church to advance some of its most doctrinaire agendas. A proposed statute abolishing abortions and stipulating three-year sentences for women who undergo them is a case in point.

It was based on a document drawn up by an episcopal committee (which quotes at length from Ronald Reagan's 1988 proclamation of a National Day of the Sanctity of Human Life) and for a while threatened to become a major issue in the campaign. At many meetings, opponents of the

proposed law were denounced as "murderers." By common consent the issue was suspended, but it is bound to flare up again in the new parliament. One writer said in a letter to the weekly Polityka: "The adoption of this statute, which in the name of love preaches hatred for women, will mark a signal that we have emerged from one dictatorship into another. Next, divorces will be abolished, then nonbelievers will find that promotions are closed to them, and then literature and films will be censored in the name of purity of customs." An overcast economic, no doubt, but in a country with one of the most conservative and powerful clerics in the world, not one to be dismissed out of hand.

To sound these warnings is not to say that they will come true. Nor is it in any way to gild the enormous significance of the eclipse of the one-party state in Poland and the triumph of a movement that the Communist regime had contemptuously tried to consign to oblivion. But there are dangers ahead, and Poland's navigators must know what they are.

Mr. Brumberg has written extensively on Soviet and East European affairs. He contributed this comment to The Washington Post.

Toward a Grand Strategy for a World in Flux

By Zbigniew Brzezinski

This is the first of two articles.

WASHINGTON — President Bush is fortunate. Rarely has a president faced so many challenges regarding the future of the world as he does. Future historians almost certainly will hail the last years of this century as a watershed in world affairs. Consider the following:

The Soviet Union, America's lethal rival for more than four decades, is reeling under a domestic crisis of mounting intensity and of very unpredictable outcome.

Eastern Europe is beginning to shed its externally imposed ideology

of most — of Soviet history. As Stalin, Khrushchev and Brezhnev have lost historical legitimacy, current Soviet leaders have wrapped themselves in the mantle of Leninism — a Leninism redefined to fit the needs of the moment. Lenin, the originator of the one-party dictatorship and of the Gulag, is now portrayed as a moderate social democrat, almost a Menshevik in his alleged devotion to open discussion and economic decentralization.

The current Soviet leadership knows that it has been losing the Cold War, and has asked for an armistice. Some of its members appear to accept the notion that the capitalist system is here to stay, and that the only way to recover some degree of vitality for the Soviet Union is to engage in long-term cooperation with the recently defeated West.

The desired respite would give Soviet leaders badly needed breathing space for a serious effort to resolve internal Soviet contradictions. The most notable of these is the conflict between the need to decentralize the economy and the desire of the non-Russian nations for more autonomy, even for genuine independence.

It is most unlikely that this Catch-22 situation will be resolved. As a result, the Soviet Union is likely to be faced with prolonged turmoil and bitter internal tensions that could adversely affect foreign affairs. It is clearly in the long-term inter-

est of the United States to exploit the current phase of internal Soviet turmoil to stabilize the external geopolitical relationship between the two countries while encouraging a more wide-ranging transformation of the Soviet system itself. Obviously, American leverage is much greater in regard to the former than to the latter, but U.S. policy must take both dimensions into account.

President Bush has recently defined America's current goal as that of the eventual integration of the Soviet Union into the community of nations. In broad terms, that is a fitting objective for a constructive policy. But the more tangible goal must be to make certain that Soviet military power ceases to be a threat to the West or a useful tool of policy to the Soviet leaders.

The best way to exploit the current situation would be to persuade Soviet leaders that major economic savings — as well as greater strategic stability — can best be achieved by both sides progressively abandoning strategic systems that pose a credible first-strike threat. The president could score points in the talks on strategic arms reduction with a bold proposal for both sides to phase out their ballistic delivery systems, eventually relying primarily on cruise missiles for nuclear deterrence.

In seeking external stability, the United States will not be able to ignore internal Soviet dynamics. At some point, the United States will have to define its attitude toward the national aspirations of the non-Russian nations in the Soviet Union. At a minimum, these aspirations will become an increasingly pressing human rights issue. The progressive transformation of the centralized Soviet system into a genuine multi-national confederation would also serve U.S. interests. Greater political pluralism within the Soviet Union would generate internal impediments to the pursuit of external high-power ambitions.

Given the Soviet need for more economic contacts, the West is in a favorable position to encourage such

a transformation. Any such change toward genuine internal pluralism — one that satisfies the legitimate national aspirations of the Balts, Georgians, Uzbeks or Ukrainians — would facilitate the wider international integration of the Soviet Union, as recently defined by Mr. Bush.

Meanwhile, Eastern Europe is seeking to define its authentic identity. The emerging pluralism in Poland and Hungary is likely to prove infectious. Czechoslovakia may soon explode, for its Stalinist regime is on its last legs. The spectacular victory by Solidarity in Poland is sending the same message for which the rebellious students in Beijing were so brutally crushed: Democracy is the way of the future.

The writer was national security adviser to President Jimmy Carter and is author of "The Grand Failure: The Birth and Death of Communism in the Twentieth Century." He contributed this comment to The Washington Post.

100, 75 AND 50 YEARS AGO

1989: London-Pekin Rail

PARIS — General Ammenkoff, the famous engineer of the Transcaspian Railway, is now devoting all his energy to a scheme for laying a railway through Siberia to the Chinese frontier. This line, which will go by the name of the Great Pacific, will enable the traveler to reach Peking from London in eighteen days, whereas the journey now occupies thirty five days via Canada, Vancouver and Yokohama.

1939: Eating for Two

NEW YORK — The sex of children may be predetermined is the conclusion reached by Dr. Israel Bram, of Philadelphia. He says that an excess of nourishment in the mother may decide in favor of a female child, while a scanty diet with a low protein allowance favors a boy. In support of this theory it is advanced that in times of financial panic or war male infants are in the preponderance. Dr. Bram says of the three patients who

placed themselves under his direction, twenty-six gave birth to boys. If a boy is desired eggs, meat, fish and cheese are forbidden.

1939: To Sanction Japan

LONDON — With relations between Great Britain and Japan hourly becoming more strained because of the Japanese blockade of the British Concession at Tientsin, Prime Minister Neville Chamberlain today [June 15] made what was construed as a cautious attempt to whip up enthusiasm in the United States for economic sanctions against Japan. The British realize that without American cooperation, economic reprisals against Japan would be ineffective, yet the British fear that any direct approach to Washington would provoke the old cry that Britain was attempting to get America to pull British chestnuts out of the fire. The British government is also reluctant to make any move that might push Japan into the arms of the Berlin-Rome Axis.

Other Comment

Refugees: Blame Vietnam

Vietnam's cynicism knows no bounds. On Tuesday, its Foreign Minister, Nguyen Co Thach, told an international conference on Indochinese refugees in Geneva that it was the isolation of Vietnam that created the Vietnamese refugee problem. He said the way to end the outflow was for Western countries to resume economic aid to his country. He also had the temerity to declare that his government opposed "forced repatriation" of Vietnamese refugees because "it would be a breach of the international declaration of human rights." Having driven out 1.5 million of its citizens over the past 14 years, the Vietnamese government has the gall to preach to the world about human rights. What is disconcerting is that well-meaning countries of the West are allowing themselves to be taken in.

The only way to stop the refugee flow is for conditions inside Vietnam to improve. This can happen only if the Vietnamese government changes both its domestic and foreign policies, to alter the priority to one focused on economic rehabilitation rather than foreign aggrandizement. What will bring Vietnam to its senses is not sweet

words but continued international isolation and deprivation of Western economic aid. — The Straits Times (Singapore).

Swept Away by Gorbysmania

When Mikhail Gorbachev talks of a "common European home" his words have the most profound impact on the German people. Bonn knows that the division of Germany can be overcome only if the division of Europe is overcome. Now Communism's czar has devised a phrase that embodies that hope, and Gorbysmania sweeps the federal republic. The same day Mr. Gorbachev got so friendly a welcome in Bonn's Marktplatz, an American was in London describing the Kremlin leader as "the Soviets' best — and probably only — hope to turn things around." The speaker? Newly knighted Ronald Reagan, who proclaimed himself "more optimistic than ever in my life about peace and democracy." Also that day, in Washington, there were calls for easing trade restrictions against Moscow in reward for its improved emigration policies. The source? The National Conference on Soviet Jewry. Obviously, Germans aren't the only willing victims of Gorbysmania.

— The Baltimore Sun.

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Tel.: (1) 46.37.93.00. Telex: Advertising, 61399; Circulation, 61282; Editorial, 61278; Production, 63068.
Editor for Asia: Michael Richardson, 5 Convent Road, Singapore 0511. Tel: 472-7768. Telex: RS50228
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OPINION

Now the Liberals Have Lost Their Edge in the Court

By George F. Will

WASHINGTON — While Americans are marveling at the vitality of democratic ideas abroad, the consequences of democracy are appearing in the Supreme Court. These consequences are making many liberals cross.

Consider a recent case: An Alaskan salmon cannery has two categories of jobs, skilled and unskilled. The former are filled mostly by whites, the latter by Filipinos and Alaskan natives.

A suit filed on behalf of nonwhite employees said, and a lower court agreed, that this statistical disparity, even without evidence of intent to discriminate, placed on the employer the burden of proving that the hiring practices that produced it do not violate the 1964 Civil Rights Act banning discrimination in employment.

The nonwhite employees relied on a 1971 ruling by the unanimous Burger court that a mere statistical showing of "disparate impact" would be virtually sufficient to invalidate "practices that are fair in form but discriminatory in practice."

In the cannery case, the court, abandoning the 1971 reasoning, ruled 5-4 that there is statistical evidence that nonwhites are "underrepresented" in particular jobs does not do much to advance a discrimination complaint. Disparities must be shown to be caused by particular hiring practices, and employers can validate those practices by showing a legitimate business reason for them. The court says plaintiffs have the heavy burden of showing a causal connection between a disparity and a particular hiring practice, and demonstrating an alternative practice that would achieve the same business end with less racial impact.

This ruling will undermine reverse discrimination (affirmative action). The fact that more statistical disparities have often been considered sufficient to demonstrate illegal discrimination has led, in turn, to statistical remedies: racial quotas. These have been imposed by

public authorities or adopted preemptively by employers seeking to defend themselves against litigation.

Many liberals are saying that the "retreat" from the 1971 ruling is inherently disreputable. Their point ostensibly is that an 18-year life puts a precedent beyond challenge. But liberals know that a 58-year-old precedent was "reasonably overthrown" in 1954 in the school-desegregation ruling that repudiated the "separate-but-equal" doctrine. That repudiation was called a correction, not a retreat.

The liberals' actual principle, which they are too decorous to assert, is respect for the liberal ratchet: All irreversible change is in their direction. But the ratchet has been repealed.

The majority decision in the cannery case was written by Justice White, a John F. Kennedy appointee (who participated in the 1971 decision). He was joined by Chief Justice (by Reagan's nomination) Rehnquist and three Reagan appointees: Sandra O'Connor, Antonin Scalia and the newest justice, Anthony Kennedy.

One week later, in another civil-rights case decided 5-4, the same majority ruled that the "race-conscious" policies of affirmative action. It was a case brought by a group of white firemen in Birmingham, Alabama. They charged that under a 1974 agreement between some employees and the city, less qualified blacks have been promoted ahead of them. The court (Justice Rehnquist writing for the majority) affirmed the right of whites to sue. The court held that a voluntary agreement between two groups is not immune from challenge by a third group. Justice Rehnquist's reasonable principle is that "a person cannot be deprived of his legal rights in a proceeding to which he is not a party."

This decision may mean an explosion of conservative legal challenges. Litigious liberals are not happy.

Both decisions are deeply satisfying as ratifications of the sovereignty of the political process. The majority in these cases was completed by the addition of Justice Kennedy. He was nominated when Robert Bork was blocked by forces now fiercely unhappy about both decisions.

But Racism Lives On

If we are going to say goodbye to affirmative action, then we had best redouble the national effort to both fight and recognize racism. Ronald Reagan did neither. George Bush, however, comes out of that wing of the Republican Party with roots in the Abolitionist movement. If he is going to be true to his heritage, he must ensure that reverse discrimination is not replaced by the old discrimination. This means, among other things, more federal aid to minority college students; it means increased vigilance by such entities as the Civil Rights Commission. A Supreme Court majority, viewing the world from country club pools, sees only green fairways. It is up to the president to notice the caddy.

— Richard Cohen, Washington Post

Washington Post Writers Group



LETTERS TO THE EDITOR

Disenfranchised in Europe

European Parliament elections are being held this week throughout the member states of the European Community. While our neighbors and colleagues of other European nationalities (except the Irish) enjoy full voting rights indefinitely when they leave their home country, we Britons abroad lose all right to vote in the United Kingdom after five years residence abroad — not only in British elections but in European Parliament elections, too.

This is particularly ironic for Britons like the members of The Association for the Rights of Britons Abroad, who are working in Europe and trying to make the 1992 single-market plan a reality.

JAMES SPENCE
Luxembourg

U.S. Blackmail in Geneva

The mandate and programs of the Geneva-based World Health Organization are unrelated to U.S. foreign policy toward the Middle East. Yet this respected, specialized agency of the United Nations has survived a crisis caused by the self-proclaimed state of Palestine seeking full membership and by the United States threatening to withhold its \$37 million assessed dues if the PLO bid succeeded.

The WHO Assembly's compromise, calling for a one-year postponement, was not a rejection of Palestine's quest for full membership, contrary to the smug proclamation of the U.S. delegation's spokesman that the decision was "a victory for the health of the people of the world." Regional politics, the secret ballot and the developing countries' realization that they simply cannot afford to

lose valuable WHO assistance clearly influenced the outcome.

Palestine, now recognized by at least 98 countries, undoubtedly will continue to press for recognition and assistance through membership in other international organizations. The U.S. government has announced its intention to withhold funds from any international body admitting the PLO to full membership. Should any member state of an intergovernmental body be permitted to contribute as much as 25 percent of the budget, thus providing an opportunity for crippling blackmail if disagreements arise?

G. FRANCIS WILLIAMS
Geneva

Nationalism Is the Problem

Regarding the editorial "Back to a Simpler Past" (May 31):

The editorial justly criticized the cynical Nazi-Soviet secret protocol of 1939 that allocated the Baltic states and what was then eastern Poland to the Soviet Union. It was a plea for opening the archives — a sentiment I endorse strongly.

Yes, the Soviet Union is dragging its feet in acknowledging that this secret protocol is genuine. But then the editorial suggests that the issue is "whether Moscow is prepared to give the territory back." I am reminded of when Robert Kennedy suggested there was legitimacy in Mexican claims to the American Southwest and California, ignoring self-determination on the part of present inhabitants of the area.

Irredentist nationalism is, perhaps, the world's most powerful force. But where does it stop? Shall we declare a moratorium on all irredentist claims earlier than,

say, 1900? Why not 1800? Are we to pull out the Old Testament to make a Solomon-like judgment on the historical validity of Israeli and Arab claims?

Yes, the Soviet Union is embarrassed. And well it should be. But to suggest a redrawing of German and Soviet boundaries to redress this injustice is, to say the least, ahistorical. The eastern boundary of Poland was established only after Polish military victories against the Soviet Union in the early 1920s. Who is right?

Yes, the new Europe will have to deal with the legacy of old wars. But it might be best to address the real problem, nationalism, and avoid the kind of moralizing that returns to haunt the moralizer.

WARREN F. KIMBALL
Cambridge, England

What an EC Inquiry Found

Your report of June 8 concerning the EC Commission ruling on the industrial gas business ("Gas Suppliers Yield to EC on Pacts") says that the commission found that "L'Air Liquide and Britain's BOC PLC had also acted illegally by abusing their dominant positions in the EC market." This is incorrect. The commission found nothing in respect to "activities to prove an abuse of dominant market position."

The EC Commission spent seven years examining the industrial gases business in Europe, involving several hundred man-years of work for the companies involved. The result of this, so far as BOC was concerned, has been some fairly minor contractual changes that we do not believe will have any material effect on our business or how we conduct it.

RICHARD V. GIORDANO
Surrey, England

The People Read the Sign — And Took It to Heart

By Meg Bortin

ON the road into town from the airport, a giant poster in reds and blues proclaimed "Power to the People." Berkeley 1969? No, Moscow 20 years later.

A sign of the times, and a revolutionary one if the ordinary Soviet citizen ever gets a chance to make it reality. But then, it was erected by the same leaders

MEANWHILE

who now denounce the command-from-above practices of the past 70 years, even as they continue sending down the party line in banners and slogans.

So a slight change in the litany was noticeable upon returning to Moscow after an absence of seven months. But what about the rest? The answer sprang forth from the streets.

The Moscow Spring flourished this year, fertilized by the Congress of People's Deputies and the seeds of excitement it planted in homes throughout the nation as its two-week inaugural session was beamed live on television screens.

In the evenings, ungluing themselves from their TV sets, thousands of ordinary people gathered in a rowdy festival of flags, petitions and speeches in do outdoors what they would not have dared a season earlier — speak their minds.

The raucous crowds at Luzhniki, convening on the tarmac of a bus parking lot beneath the huge Lenin Stadium by the Moscow River, seemed drawn by a collective will into a modern passion play of sorts, a public settling of accounts after decades of repression.

"This is our Hyde Park," one woman said as she moved toward a cluster of posters defending Andrei Sakharov, who had been angrily jeered in the Congress for suggesting an investigation of reports that Soviet officers had shot their own soldiers in Afghanistan rather than see them taken prisoner.

Poking through the knot of people, the homemade posters declared, "Sakharov, We Are With You," and "Sakharov Is the Conscience of Our Times." Others were still bolder. "Send Yarov and Chazov Out to Pasture," one read, in a aside dismissal of the defense and health ministers. "Budget, Prague... Beijing, Moscow!" said another, held by shaggy youths who looked much like the erstwhile protesters in People's Park in Berkeley.

Around a raised podium, the suspense at the counter-Congress was palpable as people awaited an appearance by Boris Yeltsin, the maverick populist who has captured the hearts of Moscow. Booming out from loudspeakers, speeches were in full swing. Everyone who got a chance took the tribune, and debate raged over whether the deputies over at the Kremlin were fulfilling their mandate to the people. When one man got up and denounced the feeble response of the Congress to the events in Beijing, a roar of approval went up.

Amid all this, police watched benignly from the sidelines. These were the officers who, as recently as last autumn, routinely broke up the timid demonstrations held on Pushkin Square. Outnumbered by the masses, how did they feel?

"We're just like everybody else," one man in uniform shrugged. And Yeltsin? Wasn't there a threat to authority in the return from disgrace of the former Politburo member after his massive endorsement in the elections to the Congress? "It was a secret ballot," the policeman said with a wink, as a fellow officer smiled.

There was no interference as groups hoisted their homemade banners bearing insignia with no resemblance to the hammer and sickle. The Moscow Popular Front predominated, its white-and-navy flag billowing beside the podium and from samizdat-covered telephone poles in the lot. Another flag carried a crest from czarist days, attracting a throng curious to see what its bearers proposed.

A year earlier, flags became a symbol of the fight for greater freedom in the Baltic republics. Their bearers in Lithuania, Estonia and Latvia were hauled off from demonstrations by the security forces. But now, those flags have been legalized, and the authorities in Moscow seem to have adopted the same relaxed approach as their Baltic colleagues.

The question people are asking these days is, will it last?

Many are convinced that it won't. Some friends, biochemists at the Academy of Sciences, have decided to emigrate to the United States for fear of a backlash. He is Jewish, she is Armenian and they fear for the safety of their two young sons if conservatives of an anti-Semitic bent gain the upper hand.

Ordinary people who never before had the chance to travel abroad are leaving in droves. There is a five-day wait to get an Aeroflot ticket, and planes to most Western destinations are booked through the summer. Some of those who leave will never come back, preferring the risk of estrangement in a foreign land to the familiarity of a much-loved city at a time of uncertainty.

The shortages fuel the concern. An acquaintance gratefully accepted salt purchased at the hard-currency shop for foreigners. The regular shops in Moscow have run out, and sugar is being rationed amid rumors that the ration cards will soon be applied to other staples. Thoughts of sabotage by disgruntled bureaucrats in the food sector are increasingly on everybody's mind.

Taking the airport road back after a week's stay, the conversation turned to these impressions. So much hunger for a better life, so many hopes to be nourished. One final observation as the car neared the air terminal. The Congress of People's Deputies had adjourned the night before. The "Power to the People" sign had come down.

International Herald Tribune

ASIAN TOPICS

To Block Informants, Tie Up Beijing Phones

Some Chinese residents overseas are trying to tie up Chinese government telephone lines set up for informants. Their aim is to block Beijing residents from turning in pro-democracy demonstrators.

In France, a group calling itself "Freedom Calls to China" is encouraging not only Chinese but people all over the world to phone in to 861-512-4848 and 861-512-5666.

If these lines are tied up, and the Chinese authorities designate new ones, "we shall know as soon as they are announced," the spokesman said, "and we'll announce them too. This isn't just symbolic — it can really help." He asked that his name not be used "because I have relatives in China."

In the United States, a nation-

wide computer bulletin board used by Chinese university students studying in America lists about a dozen Beijing hot lines set aside for informing on dissidents.

A Stanford University student, who requested that his name not be used, said he called a Beijing hot line and spoke with an operator for 20 minutes.

"I told her that there were 3,000 people killed by soldiers," the student continued. "She said if I were Chinese I would have a conscience and believe my own government. I said if she were a real Chinese she would have a conscience and not report to the government on the students."

He said the operator paused, then hung up.

Around Asia

Thailand's new ban on domestic logging has increased the pressure on neighboring Vietnam, Laos and Cambodia for their timber pressure brought by Japanese loggers and by the Thai themselves. Officials of all three Indochinese countries are alert to the threat to their forests. Last month, Prime Minister Kaysone

Phonvithane of Laos called for a ban on logging for export. But experiences in other countries give scant grounds for optimism. Denis D. Gray of The Associated Press reports from Vinh Phn, Vietnam. Some Western environmentalists say foreign loggers will simply do what they have done elsewhere: buy off anyone who tries to stop them from cutting down the forests.

Japanese police will seek cooperation though Interpol, the international police organization for exchanging information on criminals, to prevent people from other Asian countries from coming to Japan to engage in prostitution, according to sources in Japan's National Police Agency. Agency figures showed that 936 of 1,574 non-Japanese women questioned by police for illegally working with tourist visas were found to have been engaged in prostitution, up 150 per cent from last year.

Malaysian immigration officials are shaving the heads of illegal immigrants from Indonesia before they are deported so they

can be identified if they return immediately, according to the New Straits Times of Kuala Lumpur. About a million illegal immigrants from Indonesia work on plantations and construction sites in Malaysia, the government says. Immigration officials arrest and deport many of the Indonesians, but many return within a few days.

Almost all Indian truck drivers are unaware of basic traffic rules and cause most of the country's 40,000 road deaths each year, according to a survey by the state-run Central Road Research Institute of 755 truck drivers from all parts of India. It showed that 99 percent of them cannot read or recognize even main road signs. Many people will not drive outside the cities at night because of the danger from unlighted and overloaded trucks and buses. The institute recommended that truck drivers be required to pass a written test for a driver's license. But this poses a problem in a country where only about a third of the population is literate.

Arthur Higbee

Selling America: U.S. Bankers in Tokyo

By Fred Hiatt

Washington Post Service

TOKYO — They vacation in Thailand, have suits made in Hong Kong, date Japanese women and spend hours every day working in Tokyo selling America to the Japanese.

Pioneers of a new world economic order, still in their early 20s and graduates of the best U.S. universities, these Americans are the flip side of their country's trade deficit with Japan — and they are flocking to this new center of financial might.

While Americans at home buy Nissans and Sonys, the growing corps of "baby bankers," as one of them put it, helps Japan channel its dollars back into American skyscrapers, factories and other assets.

Several young investment bankers said in recent interviews that it was both exciting and unsettling to serve as acolytes to the new relationship.

Their ambivalence, after watching the seemingly unstoppable Japanese economy from close range, echoed an uncertainty that many U.S. policymakers and voters display of alternately admiring and blaming Japan and blameworthy and excusing America for the growing economic imbalance.

"I do have ethical qualms," said Dwight Pater, 23, who helps Japanese investors buy companies in the United States.

"Obviously, there's a risk of selling off all of your assets."

But Mr. Pater, who works in Morgan Stanley's mergers and acquisitions department in Tokyo, said that many Americans complain about overleveraged Japanese investors, his work depends on Americans as eager to sell as Japanese are to buy.

"It's easy in say the Japanese are awful, or they're buying America on the cheap," Mr. Pater added.

"But when executives in the U.S. decide to

sell, they come to us and say: 'Make sure you check out the Japanese market. Make sure we're not missing out on a high price.'"

According to statistics provided by Morgan Stanley Japan Ltd., Japanese will spend about \$14 billion on foreign real estate this year, up from about \$1 billion in 1985.

Japanese investment in foreign mergers and acquisitions has zoomed from almost nothing four years ago to more than \$12 billion last year.

During the same period, Morgan Stanley's Tokyo office nearly tripled its staff. The 10 largest U.S. securities firms in Tokyo, led by Salomon Brothers Asia Ltd. and followed by Morgan Stanley, employed more than 2,700 people at the end of 1988, according to Gavin Anderson & Co. A majority of those workers were Japanese, but a large minority were young Americans in Japan for one or two or three years to sell stock, trade currencies or deal in American and European assets.

Many of Mr. Pater's colleagues and competitors came to Japan for the money or a good time.

"They live better than they could in New York and far better than Japanese brokers and bankers of the same age."

"This is the best-kept secret," said Jim Jackson, 24, a Georgetown University graduate who specializes in real estate. "We live great lives."

Like many of their friends, Mr. Jackson and Mr. Pater came to Japan more or less by chance, in part because their companies had trouble recruiting older staff from New York for duty in Tokyo.

Once in Japan, they receive cost-of-living allowances that may boost their earnings to close to six figures and they live in apartments in or close to Tokyo that rent for \$5,000 or more a month.

For many "baby bankers," the Tokyo experience is eye-opening and sobering as well as lucrative.

Mr. Pater and his friend Benjamin Nye spent hours debating the merits of their jobs and the implications for America's future.

Mr. Nye recounted: "Some guy in our church at home came up to my parents and said, 'What in God's name are you doing, allowing your son to sell America to the Japanese?' He was actually very distressed that I was over here."

On the whole, Mr. Pater said, he does not share that feeling. So far, Japanese buyers have pursued only friendly takeovers of U.S. companies, he said, usually leaving management and the work force intact, unlike many American and European buyers.

But Mr. Nye, who recently left Japan after 15 months, took a less sanguine view. He arranged financing deals for PaineWebber Group, persuading Japanese companies to lend money to U.S. airlines that need new jets.

Mr. Nye said he had arrived "naïve" about U.S.-Japanese relations, "perfectly ready to blame Americans for making a bad product, for being lazy bare."

But the longer he watched Japanese business, the more he came to see unfairness in the trading relationship between the two countries. "There are two completely different systems, which is fine, until they start competing against each other," he said. "They can buy us, but we can't buy them."

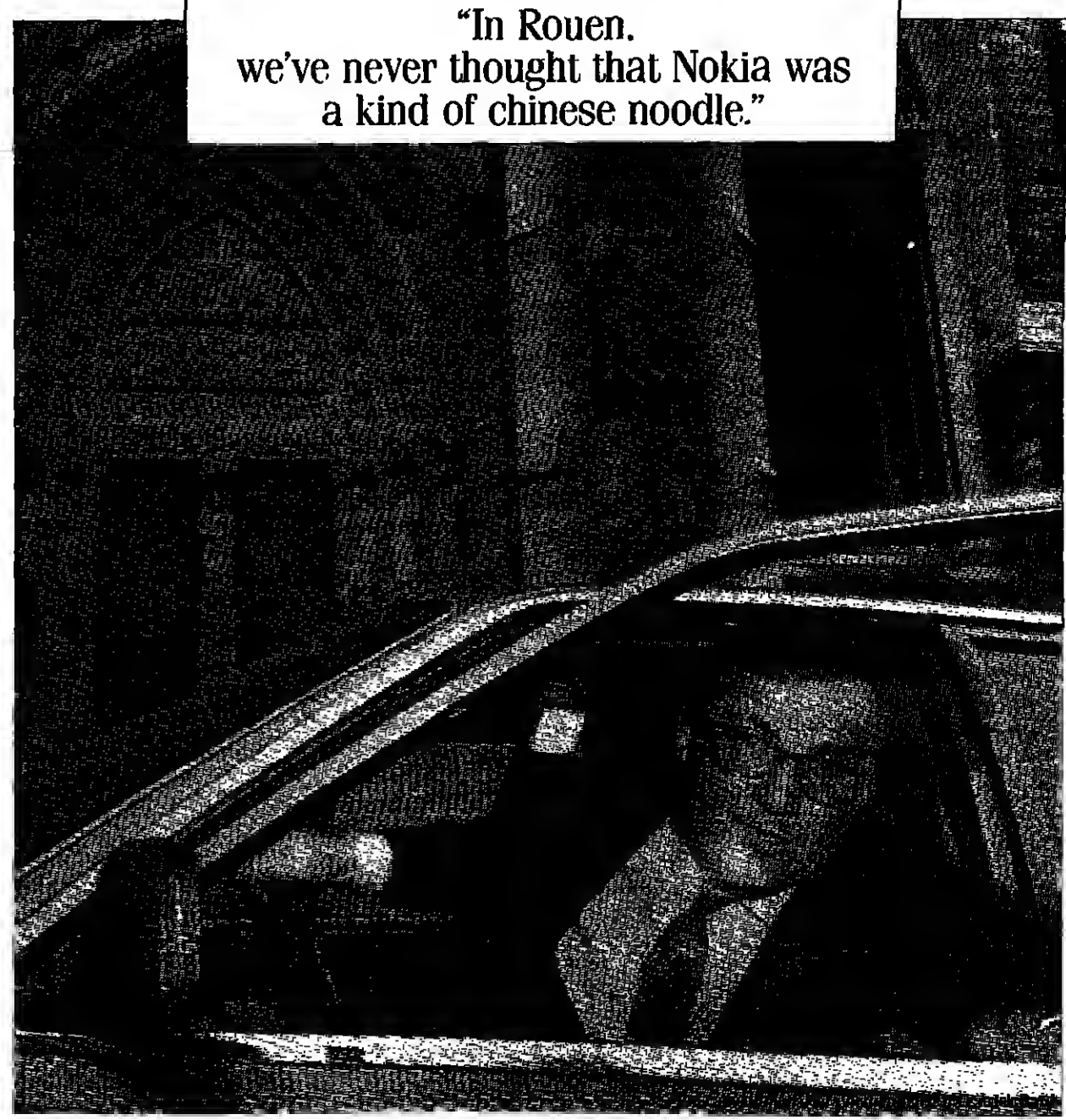
Mr. Nye said his stay in Japan had made him fear for America's future.

Heavy consumption in the United States, combined with a system in Japan that discourages workers from even taking vacations, left him worried that the imbalance will only worsen and allow Japan to acquire more American assets.

"They're accumulating our currency while we buy and buy and buy Japanese goods," he said.

"Someday they could call us on it."

"In Rouen, we've never thought that Nokia was a kind of chinese noodle."



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Contact: Elisabeth Boudier - Tel.: 33.35.71.71.35

NYSE Most Actives					
	Vol.	High	Low	Last	Chg.
ParCom	27906	49 1/2	28 1/2	39 1/4	+1 1/2
WorInc	21973	57 1/2	46 1/2	51 1/2	+1 1/2
SynGene	24930	24 1/2	21 1/2	21 1/2	+1 1/2
WorInd	21973	57 1/2	46 1/2	51 1/2	+1 1/2
ElKorInd	20968	88 1/4	47 1/2	69 1/2	+1 1/2
WorInd	21973	57 1/2	46 1/2	51 1/2	+1 1/2
USX	20968	88 1/4	47 1/2	69 1/2	+1 1/2
USX	20968	88 1/4	47 1/2	69 1/2	+1 1/2
WorInd	21973	57 1/2	46 1/2	51 1/2	+1 1/2
ParCom	27906	49 1/2	28 1/2	39 1/4	+1 1/2
WorInd	21973	57 1/2	46 1/2	51 1/2	+1 1/2
InfraSec	18715	9 1/2	5	6 1/2	+2 1/2
Leona	18816	10 1/2	13 1/2	13 1/2	+2 1/2
IGAA	15485	109 1/2	108 1/2	108 1/2	+1 1/2
IGAA	15485	109 1/2	108 1/2	108 1/2	+1 1/2
Time	14080	72 1/2	70 1/2	71 1/2	+1 1/2
Time	14080	72 1/2	70 1/2	71 1/2	+1 1/2
DeBor	13439	29 1/2	27 1/2	27 1/2	+1 1/2

Dow Jones Bond Averages		
	Close	Chg'd
Bonds	92.44	-0.06
Utilities	92.99	-0.01
Industrials	92.89	-0.01

Market Sales		
NYSE a.s.t. volume	171,490,000	
NYSE prev. cons. close	171,490,000	
Amex a.s.t. volume	13,562,000	
Amex prev. cons. close	13,562,000	
OTC a.s.t. volume	1,577,000	
OTC prev. a.s.t. volume	1,577,000	
NYSE volume up	22,500,000	
NYSE volume down	104,250,000	
Amex volume up	6,235,000	
Amex volume down	6,490,000	
OTC volume up	N.D.	
OTC volume down	N.D.	

NYSE Diary		
	Class	Prev.
Advanced	442	745
Declined	1079	948
Unchanged	467	517
Total Issues	2588	1610
New Issues	186	199
New Lists	34	15

NYSE INDEX				
	High	Low	Clos	Chge
Composites	188.37	187.87	187.97	-.10
Industrial	214.36	214.25	214.54	-.16
Utilities	173.22	173.07	173.47	-.14
100 Stocks	87.22	86.89	86.97	-.12
Finance	154.38	153.10	153.07	-1.72

Odd-Lot Trading in N.Y.		
	Buy	Sales
June 11	294,158	549,222
June 14	293,646	561,148
June 17	308,954	544,771
June 9	470,531	535,196
June 8	338,407	599,397
		472,400

*Included in the sales figures

	Open	High	Low	Last	Chg.
Indus	2497.95	2505.97	2440.82	2474.81	-26.25
Trans	1141.00	1153.00	1137.00	1152.00	+11.00
UTII	280.20	284.40	274.10	282.00	+1.80
Comp	953.63	956.77	940.62	945.51	-9.12

AMEX Diary		
	Close	Prev.
Advanced	189	207
Declined	293	323
Unchanged	294	294
Total Issues	842	871
New Highs	18	38
New Lows	15	7

Standard & Poor's Index				
	Highs	Low	Close	Change
Industrials	379.45	345.18	344.20	-4.26
Finance	242.80	245.20	245.34	+2.54
Utilities	122.11	117.41	117.45	-1.19
Transportation	31.01	26.48	30.37	-0.64
SP 500	275.55	273.77	273.68	-0.07
SP 100	297.84	295.30	294.20	-1.64

NASDAQ Index				
	Close	Ch'ge	Week	Month
			High	Low
Composite	4,673.10	+5.54	+53.99	4,691.61
Industrials	3,349.89	-1.74	+44.67	3,353.23
Finance	3,144.4	-3.51	27.55	3,145.95
Insurance	334.28	-2.38	28.61	333.81
Utilities	763.74			
		11.89	759.74	772.38
Banks	476.35			
Tram.		-2.68	427.11	415.43

NASDAQ Diary		
	Close	Prev.
Advanced	1,277	122
Declined		63
Unchanged		—
Total Issues	n.d.	75

	Vol.	High	Low	Lead	Chg.
BAT	4267	10 1/8	9 7/8	10 1/8	+ 1/8
GlobeR	4155	4 1/2	4 1/8	4 1/2	+ 1/8
Schell	3155	1 1/2	1 1/8	1 1/2	+ 1/8
Liquid	2883	1 1/2	1 1/8	1 1/2	+ 1/8
Wm	2883	1 1/2	1 1/8	1 1/2	+ 1/8
GTE	2628	2 3/4	2 1/2	2 3/4	+ 1/8
Wm	2628	2 3/4	2 1/2	2 3/4	+ 1/8
Telstar	2591	8 1/8	7 3/4	8 1/8	+ 1/8
Worship	2591	8 1/8	7 3/4	8 1/8	+ 1/8
Momco	2591	8 1/8	7 3/4	8 1/8	+ 1/8
Wm	2591	8 1/8	7 3/4	8 1/8	+ 1/8
Armed	2010	13 1/2	12 1/2	13 1/2	+ 1/8
Admire!	2010	13 1/2	12 1/2	13 1/2	+ 1/8
Sol	1956	4 1/2	4 1/8	4 1/2	+ 1/8
Wm	1956	4 1/2	4 1/8	4 1/2	+ 1/8
Paul	1776	1 1/2	1 1/8	1 1/2	+ 1/8
Paul	1776	1 1/2	1 1/8	1 1/2	+ 1/8

High	Low	Close	Open
361.8	360.5	361.0	-1.00

Month	High	Low	Stock	Div	Yld	PE	High	Low	APR. CLOS.
1910	44	12	AAR	1.00	10	10	110	110	110
1911	44	12	AC	1.00	10	10	110	110	110
1912	44	12	ACM	1.00	10	10	110	110	110
1913	44	12	ACM	1.00	10	10	110	110	110
1914	44	12	AL	1.00	10	10	110	110	110
1915	44	12	AL	1.00	10	10	110	110	110
1916	44	12	AL	1.00	10	10	110	110	110
1917	44	12	AL	1.00	10	10	110	110	110
1918	44	12	AL	1.00	10	10	110	110	110
1919	44	12	AL	1.00	10	10	110	110	110
1920	44	12	AL	1.00	10	10	110	110	110
1921	44	12	AL	1.00	10	10	110	110	110
1922	44	12	AL	1.00	10	10	110	110	110
1923	44	12	AL	1.00	10	10	110	110	110
1924	44	12	AL	1.00	10	10	110	110	110
1925	44	12	AL	1.00	10	10	110	110	110
1926	44	12	AL	1.00	10	10	110	110	110
1927	44	12	AL	1.00	10	10	110	110	110
1928	44	12	AL	1.00	10	10	110	110	110
1929	44	12	AL	1.00	10	10	110	110	110
1930	44	12	AL	1.00	10	10	110	110	110
1931	44	12	AL	1.00	10	10	110	110	110
1932	44	12	AL	1.00	10	10	110	110	110
1933	44	12	AL	1.00	10	10	110	110	110
1934	44	12	AL	1.00	10	10	110	110	110
1935	44	12	AL	1.00	10	10	110	110	110
1936	44	12	AL	1.00	10	10	110	110	110
1937	44	12	AL	1.00	10	10	110	110	110
1938	44	12	AL	1.00	10	10	110	110	110
1939	44	12	AL	1.00	10	10	110	110	110
1940	44	12	AL	1.00	10	10	110	110	110
1941	44	12	AL	1.00	10	10	110	110	110
1942	44	12	AL	1.00	10	10	110	110	110
1943	44	12	AL	1.00	10	10	110	110	110
1944	44	12	AL	1.00	10	10	110	110	110
1945	44	12	AL	1.00	10	10	110	110	110
1946	44	12	AL	1.00	10	10	110	110	110
1947	44	12	AL	1.00	10	10	110	110	110
1948	44	12	AL	1.00	10	10	110	110	110
1949	44	12	AL	1.00	10	10	110	110	110
1950	44	12	AL	1.00	10	10	110	110	110
1951	44	12	AL	1.00	10	10	110	110	110
1952	44	12	AL	1.00	10	10	110	110	110
1953	44	12	AL	1.00	10	10	110	110	110
1954	44	12	AL	1.00	10	10	110	110	110
1955	44	12	AL	1.00	10	10	110	110	110
1956	44	12	AL	1.00	10	10	110	110	110
1957	44	12	AL	1.00	10	10	110	110	110
1958	44	12	AL	1.00	10	10	110	110	110
1959	44	12	AL	1.00	10	10	110	110	110
1960	44	12	AL	1.00	10	10	110	110	110
1961	44	12	AL	1.00	10	10	110	110	110
1962	44	12	AL	1.00	10	10	110	110	110
1963	44	12	AL	1.00	10	10	110	110	110
1964	44	12	AL	1.00	10	10	110	110	110
1965	44	12	AL	1.00	10	10	110	110	110
1966	44	12	AL	1.00	10	10	110	110	110
1967	44	12	AL	1.00	10	10	110	110	110
1968	44	12	AL	1.00	10	10	110	110	110
1969	44	12	AL	1.00	10	10	110	110	110
1970	44	12	AL	1.00	10	10	110	110	110
1971	44	12	AL	1.00	10	10	110	110	110
1972	44	12	AL	1.00	10	10	110	110	110
1973	44	12	AL	1.00	10	10	110	110	110
1974	44	12	AL	1.00	10	10	110	110	110
1975	44	12	AL	1.00	10	10	110	110	110
1976	44	12	AL	1.00	10	10	110	110	110
1977	44	12	AL	1.00	10	10	110	110	110
1978	44	12	AL	1.00	10	10	110	110	110
1979	44	12	AL	1.00	10	10	110	110	110
1980	44	12	AL	1.00	10	10	110	110	110
1981	44	12	AL	1.00	10	10	110	110	110
1982	44	12	AL	1.00	10	10	110	110	110
1983	44	12	AL	1.00	10	10	110	110	110
1984	44	12	AL	1.00	10	10	110	110	110
1985	44	12	AL	1.00	10	10	110	110	110
1986	44	12	AL	1.00	10	10	110	110	110
1987	44	12	AL	1.00	10	10	110	110	110
1988	44	12	AL	1.00	10	10	110	110	110
1989	44	12	AL	1.00	10	10	110	110	110
1990	44	12	AL	1.00	10	10	110	110	110
1991	44	12	AL	1.00	10	10	110	110	110
1992	44	12	AL	1.00	10	10	110	110	110
1993	44	12	AL	1.00	10	10	110	110	110
1994	44	12	AL	1.00	10	10	110	110	110
1995	44	12	AL	1.00	10	10	110	110	110
1996	44	12	AL	1.00	10	10	110	110	110
1997	44	12	AL	1.00	10	10	110	110	110
1998	44	12	AL	1.00	10	10	110	110	110
1999	44	12	AL	1.00	10	10	110	110	110
2000	44	12	AL	1.00	10	10	110	110	110
2001	44	12	AL	1.00	10	10	110	110	110
2002	44	12	AL	1.00	10	10	110	110	110
2003	44	12	AL	1.00	10	10	110	110	110
2004	44	12	AL	1.00	10	10	110	110	110
2005	44	12	AL	1.00	10	10	110	110	110
2006	44	12	AL	1.00	10	10	110	110	110
2007	44	12	AL	1.00	10	10	110	110	110
2008	44	12	AL	1.00	10	10	110	110	110
2009	44	12	AL	1.00	10	10	110	110	110
2010	44	12	AL	1.00	10	10	110	110	110
2011	44	12	AL	1.00	10	10	110	110	110
2012	44	12	AL	1.00	10	10	110	110	110
2013	44	12	AL	1.00	10	10	110	110	110
2014	44	12	AL	1.00	10	10	110	110	110
2015	44	12	AL	1.00	10	10	110	110	110
2016	44	12	AL	1.00	10	10	110	110	110
2017	44	12	AL	1.00	10	10	110	110	110
2018	44	12	AL	1.00	10	10	110	110	110
2019	44	12	AL	1.00	10	10	110	110	110
2020	44	12	AL	1.00	10	10	110	110	110
2021	44	12	AL	1.00	10	10	110	110	110
2022	44	12	AL	1.00	10	10	110	110	110
2023	44	12	AL	1.00	10	10	110	110	110
2024	44	12	AL	1.00	10	10	110	110	110
2025	44	12	AL	1.00	10	10	110	110	110
2026	44	12	AL	1.00	10	10	110	110	110
2027	44	12	AL	1.00	10	10	110	110	110
2028	44	12	AL	1.00	10	10	110	110	110
2029	44	12	AL	1.00	10	10	110	110	110
2030	44	12	AL	1.00	10	10	110	110	110
2031	44	12	AL	1.00	10	10	110	110	110
2032	44	12	AL	1.00	10	10	110	110	110
2033	44	12	AL	1.00	10	10	110	110	110
2034	44	12	AL	1.00	10	10	110	110	110
2035	44	12	AL	1.00	10	10	110	110	110
2036	44	12	AL	1.00	10	10	110	110	110
2037	44	12	AL	1.00	10	10	110	110	110
2038	44	12	AL	1.00	10	10	110	110	110
2039	44	12	AL	1.00	10	10	110	110	110
2040	44	12	AL	1.00	10	10	110	110	110
2041	44	12	AL	1.00	10	10	110	110	110
2042	44	12	AL	1.00	10	10	110	110	110
2043	44	12	AL	1.00	10	10	110	110	110
2044	44	12	AL	1.00	10	10	110	110	110
2045	44	12	AL	1.00	10	10	110	110	110
2046	44	12	AL	1.00	10	10	110	110	110
2047	44	12	AL	1.00	10	10	110	110	110
2048	44	12	AL	1.00	10	10	110	110	110
2049	44	12	AL	1.00	10	10	110	110	110
2050	44	12	AL	1.00	10	10	110	110	110
2051	44	12	AL	1.00	10	10	110	110	110
2052	44	12	AL	1.00	10	10	110	110	110
2053	44	12	AL	1.00	10	10	110	110	110
2054	44	12	AL	1.00	10	10	110	110	110
2055	44	12	AL	1.00	10	10	110	110	110
2056	44	12	AL	1.00	10	10	110	110	110
2057	44	12	AL	1.00	10	10	110	110	110
2058	44	12	AL	1.00	10	10	110	110	110
2059	44	12	AL	1.00	10	10	110	110	110
2060	44	12	AL	1.00	10	10	110	110	110
2061	44	12	AL	1.00	10	10	110	110	110
2062	44	12	AL	1.00	10	10	110	110	110
2063	44	12	AL	1.00	10	10	110	110	

Stock Prices Sh

NEW YORK — Stock prices closed sharply lower in active trading Thursday on the New York Stock Exchange, depressed by selling ties to weakness in other financial markets and concerns about Friday's "fiscal witching hour."

The Dow Jones industrial average, which eased 0.18 point Wednesday, fell 28.36 to 2,475.00.

Broadier market gauges also fell. The New York Stock Exchange composite index tumbled 1.86 to 178.97, and Standard & Poor's 500-stock index slid 3.75 to 320.08. The price of an average share lost 37 cents.

Declines led advances by about a 5-to-2 margin. Big Board volume totaled about 179.5 million shares, compared with about 170.5 million shares traded Wednesday.

Analysts said futures-related selling and profit-taking drove stock prices lower ahead of Friday's "fiscal witching hour," a quarterly event in which stock-index futures, index options and options on individual stocks expire at the opening and close. Such "hours" in the past have caused volatile trading.

"An [impending] expiration puts a disturbance on the surface of the market," said Donald R. Hays, director of investment strategy at Wheat, First Securities Inc. in Richmond, Virginia. "It also keeps some traders on the sidelines."

Traders said unexpected drops in bond and dollar prices following the release of three economic reports set the stage for the stock market's decline.

The Commerce Department said the U.S. merchandise trade deficit narrowed to \$8.24

14 Month Low	High	Stkcs	Div	Yld Pct	52w Hign	52w Lign	Low	P/E Ratio
57%	57%	IBM	A	.44	10	11	125	130
57%	57%	IBM	B	.44	10	11	125	130
57%	57%	IBM	C	.44	10	11	125	130
57%	57%	IBM	D	.44	10	11	125	130
57%	57%	IBM	E	.44	10	11	125	130
57%	57%	IBM	F	.44	10	11	125	130
57%	57%	IBM	G	.44	10	11	125	130
57%	57%	IBM	H	.44	10	11	125	130
57%	57%	IBM	I	.44	10	11	125	130
57%	57%	IBM	J	.44	10	11	125	130
57%	57%	IBM	K	.44	10	11	125	130
57%	57%	IBM	L	.44	10	11	125	130
57%	57%	IBM	M	.44	10	11	125	130
57%	57%	IBM	N	.44	10	11	125	130
57%	57%	IBM	O	.44	10	11	125	130
57%	57%	IBM	P	.44	10	11	125	130
57%	57%	IBM	Q	.44	10	11	125	130
57%	57%	IBM	R	.44	10	11	125	130
57%	57%	IBM	S	.44	10	11	125	130
57%	57%	IBM	T	.44	10	11	125	130
57%	57%	IBM	U	.44	10	11	125	130
57%	57%	IBM	V	.44	10	11	125	130
57%	57%	IBM	W	.44	10	11	125	130
57%	57%	IBM	X	.44	10	11	125	130
57%	57%	IBM	Y	.44	10	11	125	130
57%	57%	IBM	Z	.44	10	11	125	130
57%	57%	IBM	AA	.44	10	11	125	130
57%	57%	IBM	AB	.44	10	11	125	130
57%	57%	IBM	AC	.44	10	11	125	130
57%	57%	IBM	AD	.44	10	11	125	130
57%	57%	IBM	AE	.44	10	11	125	130
57%	57%	IBM	AF	.44	10	11	125	130
57%	57%	IBM	AG	.44	10	11	125	130
57%	57%	IBM	AH	.44	10	11	125	130
57%	57%	IBM	AI	.44	10	11	125	130
57%	57%	IBM	AJ	.44	10	11	125	130
57%	57%	IBM	AK	.44	10	11	125	130
57%	57%	IBM	AL	.44	10	11	125	130
57%	57%	IBM	AM	.44	10	11	125	130
57%	57%	IBM	AN	.44	10	11	125	130
57%	57%	IBM	AO	.44	10	11	125	130
57%	57%	IBM	AP	.44	10	11	125	130
57%	57%	IBM	AQ	.44	10	11	125	130
57%	57%	IBM	AR	.44	10	11	125	130
57%	57%	IBM	AS	.44	10	11	125	130
57%	57%	IBM	AT	.44	10	11	125	130
57%	57%	IBM	AU	.44	10	11	125	130
57%	57%	IBM	AV	.44	10	11	125	130
57%	57%	IBM	AW	.44	10	11	125	130
57%	57%	IBM	AX	.44	10	11	125	130
57%	57%	IBM	AY	.44	10	11	125	130
57%	57%	IBM	AZ	.44	10	11	125	130
57%	57%	IBM	BA	.44	10	11	125	130
57%	57%	IBM	BB	.44	10	11	125	130
57%	57%	IBM	BC	.44	10	11	125	130
57%	57%	IBM	BD	.44	10	11	125	130
57%	57%	IBM	BE	.44	10	11	125	130
57%	57%	IBM	BF	.44	10	11	125	130
57%	57%	IBM	BG	.44	10	11	125	130
57%	57%	IBM	BH	.44	10	11	125	130
57%	57%	IBM	BI	.44	10	11	125	130
57%	57%	IBM	BJ	.44	10	11	125	130
57%	57%	IBM	BK	.44	10	11	125	130
57%	57%	IBM	BL	.44	10	11	125	130
57%	57%	IBM	BM	.44	10	11	125	130
57%	57%	IBM	BN	.44	10	11	125	130
57%	57%	IBM	BO	.44	10	11	125	130
57%	57%	IBM	BP	.44	10	11	125	130
57%	57%	IBM	BQ	.44	10	11	125	130
57%	57%	IBM	BR	.44	10	11	125	130
57%	57%	IBM	BS	.44	10	11	125	130
57%	57%	IBM	BT	.44	10	11	125	130
57%	57%	IBM	BU	.44	10	11	125	130
57%	57%	IBM	BV	.44	10	11	125	130
57%	57%	IBM	BW	.44	10	11	125	130
57%	57%	IBM	BX	.44	10	11	125	130
57%	57%	IBM	BY	.44	10	11	125	130
57%	57%	IBM	BZ	.44	10	11	125	130
57%	57%	IBM	CA	.44	10	11	125	130
57%	57%	IBM	CB	.44	10	11	125	130
57%	57%	IBM	CC	.44	10	11	125	130
57%	57%	IBM	CD	.44	10	11	125	130
57%	57%	IBM	CE	.44	10	11	125	130
57%	57%	IBM	CF	.44	10	11	125	130
57%	57%	IBM	CG	.44	10	11	125	130
57%	57%	IBM	CH	.44	10	11	125	130
57%	57%	IBM	CI	.44	10	11	125	130
57%	57%	IBM	CJ	.44	10	11	125	130
57%	57%	IBM	CK	.44	10	11	125	130
57%	57%	IBM	CL	.44	10	11	125	130
57%	57%	IBM	CM	.44	10	11	125	130
57%	57%	IBM	CN	.44	10	11	125	130
57%	57%	IBM	CO	.44	10	11	125	130
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billion in April from a revised \$9.54 billion in March. Also, the Federal Reserve said factoring operating rates eased 0.3 percentage point to 83.8 percent in May, while industrial production held steady.

Hays said the reports fell within expectation. However, the unexpected drop in dollar a bond prices led stock investors to cash in on a 260-point rise in the Dow industrials last March.

"We've had a fantastic market since March with a lot of rotation in strength among sectors," he said. "The downturn last week and today was a reflection of just learning some hot news out of the market."

Along with the profit-taking, weakness in the dollar and bond markets triggered computer-driven sell programs, which involved the sale of stocks and the purchase of stock-index futures traders said.

On the trading floor, Paramount Communications was the most active NYSE issue, closing unchanged at 59½. Warner Communications followed, rising ¼ to 55½. The Wall Street Journal reported that Time Inc.'s board is leaning toward a possible tender offer for Warner Communications. Such a move, the report says, would cost more than \$10 billion and force Time to take on massive debt in order to fend off the \$175-a-share bid from Paramount Communications.

The Amex Market Value index fell 2.1 points to 361.00. The price of an average share lost 11 cents. Declines led advances by about 1. Volume totaled about 15.8 million shares.

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Stock Prices Slump on NYSE

NEW YORK — Stock prices closed sharply lower in active trading Thursday on the New York Stock Exchange, depressed by selling tied to weakness in other financial markets and concern about Friday's "triple witching hour."

The Dow Jones industrial average, which eased 0.18 point Wednesday, fell 28.36 to 2,475.00.

Broader market gauges also fell. The New York Stock Exchange composite index tumbled 1.86 to 178.97, and Standard & Poor's 500-stock index slid 3.75 to 320.08. The price of an average share lost 37 cents.

Declines led advances by about a 5-to-2 margin. Big Board volume totaled about 179.5 million shares, compared with about 170.5 million shares traded Wednesday.

Analysts said futures-related selling and profit-taking drove stock prices lower ahead of Friday's "triple witching hour," a quarterly event in which stock-index futures, index options and options on individual stocks expire at the opening and close. Such "hours" in the past have caused volatile trading.

"An (suspending) expiration puts a disturbance on the surface of the market," said Don R. Hays, director of investment strategy at Wheat, First Securities Inc. in Richmond, Virginia. "It also keeps some traders on the sidelines."

Traders said unexpected drops in bond and dollar prices following the release of three economic reports set the stage for the stock market's decline.

The Commerce Department said the U.S. merchandise trade deficit narrowed to \$8.26

billion in April from a revised \$9.54 billion in March. Also, the Federal Reserve said factory operating rates eased 0.3 percentage point to 83.8 percent in May, while industrial production held steady.

Hays said the reports fell within expectations. However, the unexpected drop in dollar and bond prices led stock investors to cash in on the 260-point rise in the Dow industrials since March.

"We've had a fantastic market since March with a lot of rotation in strength among sectors," he said. "The downturn last week and this week is a reflection of just letting some hot air out of the market."

Along with the profit-taking, weakness in the dollar and bond markets triggered computer-driven sell programs, which involved the sale of stocks and the purchase of stock-index futures, traders said.

On the trading floor, Paramount Communications was the most active NYSE issue, closing unchanged at 59 1/2. Warner Communications followed, rising 3/4 to 55 1/2. The Wall Street Journal reported that Time Inc.'s board is leaning toward a possible tender offer for Warner Communications. Such a move, the report said, would cost more than \$10 billion and force Time to take on massive debt in order to fend off the \$175-a-share bid from Paramount Communications.

The Amex Market Value index fell 2.83 points to 361.00. The price of an average share lost 11 cents. Declines led advances by about 2-1. Volume totaled about 15.8 million shares.

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President Roosevelt's new executive order, which is the first of its kind, is a landmark in the history of the United States. It is a bold and courageous move, and it is a move that will have far-reaching consequences. The order is a direct challenge to the power of the courts, and it is a move that will have far-reaching consequences. The order is a direct challenge to the power of the courts, and it is a move that will have far-reaching consequences. The order is a direct challenge to the power of the courts, and it is a move that will have far-reaching consequences.

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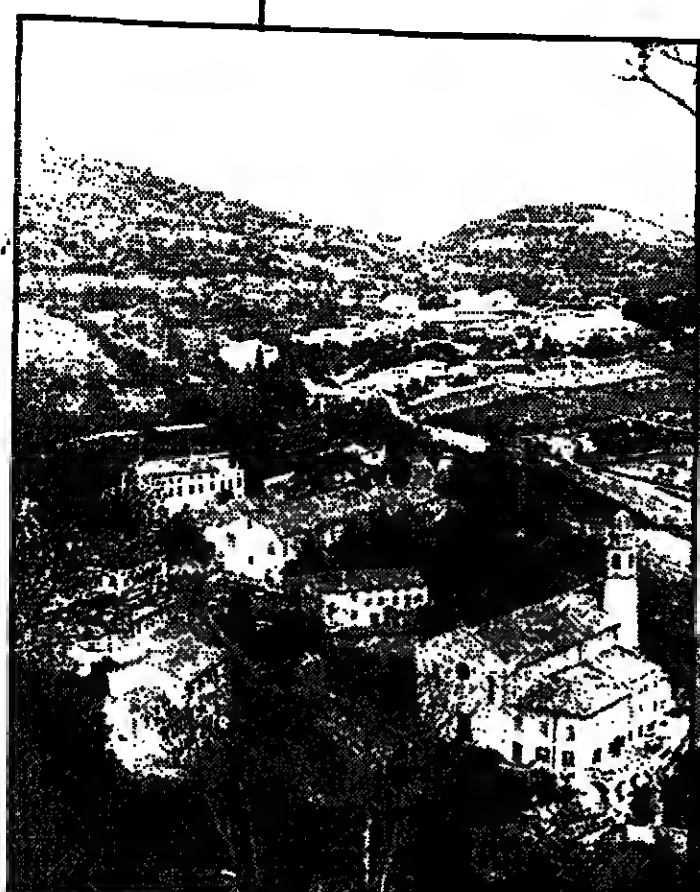
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International Herald Tribune

TRAVEL

- ☐ Peru Rain Forest
- ☐ Kashmir Crafts
- ☐ Dining in Paris



A Benedictine monk at the ancient hermitage of Monte Rua, near Abano Terme. At left, the countryside around Arquà Petrarca.

Photograph by Raul Fornaciari

In Northern Italy's Euganean Hills: Spas and Souvenirs of Petrarch

by Alberta Eiseman

PADUA — The vast plain that surrounds Venice by land is unobstructed but for a cluster of cone-shaped, green-clad mounds that rise on the outskirts of Padua — the Euganean Hills. The hills are volcanic in origin, and their eastern valleys are dotted with hot springs known since ancient times for the therapeutic qualities of their waters and mud.

The area, with its medieval towns, historic monasteries and peaceful vistas of vineyard-covered hillsides, was the setting for a stay prompted by the reading of a travel book

found on a family shelf. The book, dated 1911, was written by this writer's great-grandmother, Bona Benvenuti Viterbi, a spirited Paduan woman with several published works, who explored the history and lore of the region. Writers such as Byron and Shelley, and others not so well known, have been attracted to the Euganean Hills for centuries, and so have painters — the distinctive profiles of the peaks are mirrored in the paintings of Andrea Mantegna and other artists of the 15th century.

For Paduans and Venetians in the past, the Euganean Hills were a favorite site for villas in which to spend the summer months. Today's motorist could tour the area in a day or two, on a round trip of about 65 miles out

of Padua or as a detour on the way from Venice to Milan or to the south. We chose a more leisurely way, making headquarters at a comfortable hotel in Abano Terme, largest of the four major spas.

When ancient Romans limped into Abano to heal their arthritic joints and aching war wounds, or to consult the two resident oracles, they could actually see near-boiling water gushing up from the ground. Today, the old free-flowing springs have been replaced by sleek treatment centers within the city's 80 hotels. The very hot water, which feeds swimming pools and therapeutic tubs, is also gathered into special enclosures to enhance the healing properties of the mud set aside for applications. With the addition

of radioactive algae, the legendary mud — called fango — has been recommended for rheumatism, arthritis, gout, post-operative therapy and beauty treatments. Upward of two million visitors, Italian and foreign, arrive each year for a cure of two to three weeks, as well as to enjoy hotel life, fine shops, nighttime entertainment and sightseeing tours to nearby towns.

MOST hotels in the ever-expanding resort are of recent construction and dubious architectural merit. Two remain from an earlier, more graceful era: the Hotel Trieste e Victoria, where the Italian high command resided during World War I, and the truly grand Grand Hotel

Orologio, whose front lawn sports the current date spelled out in flowering plants, changed daily. The grounds are lavish; the main facade, built in the style of a gracious Venetian villa, dates from the first half of the 19th century. A drink at the bar, or a caffè, offers a glimpse of après cure at its most elegant.

It is hard to see the Euganean Hills from downtown Abano, but a few blocks from high-rise hotels and shopping streets you are among them, on two-lane roads that snake between one slope and the next and then climb sharply. The area boasts some 40 wooded peaks, from mere waves in the plain to steep Monte Venda, almost 2,000 feet (610 meters) high.

A morning's exploration revealed rural scenes we thought had vanished from up-to-date northern Italy. Wheat fields, dotted with poppies, ripple in the breeze; vineyards climb the lower slopes in squares, stripes, wedges — whatever suits the terrain. Ancient stone farmhouses alternate with neat new homes, each with its fig tree, artichoke plants and kitchen garden. A rooster stands watch at the side of the road; a man and a young boy tend to vines; a woman gathers hay with the droning of tractors in the fields, and by a roadside advertising disco dancing. Behind an ancestral farmhouse, a small garage an-

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2,000 Years of the Great Saint Bernard

by Mavis Guinard

WE were rushing toward the Mediterranean, driving up the pass of the Great Saint Bernard through nearly vertical vineyards, past stone-roofed chalets, gorges lined with pine forests and orderly meadows. We might have avoided the last hairpin bend by taking the road tunnel, but the kids had to see those dogs, so we drove up to the high gully where the massive hospice is mirrored in an icy lake.

It looked forbidding. We made for the bright paraisos of the hotel terrace and the inevitable bazaar. After buying postcards, like 85,000 others each summer, we went over to see the dogs, then sped on to Italy.

This may be the year to return to that stark

hospice where the monks of St. Bernard have maintained and renewed their vocation to aid travelers. For 2,000 years now, the pass of the Great Saint Bernard has linked Switzerland to Italy, the Valais to Aosta. All summer starting this week, the bimillennium will be celebrated with fervor, festivities and exhibitions to recall its history.

THE pass was opened in 12 B.C. when the Romans — long after Caesar had come and conquered Helvetia — wiped out the last Celtic redoubts. The pass was dedicated to Jove and, 50 years later, Emperor Claudius had a stone road built that would be used until the last century.

After the fall of the empire, it was abandoned until Charlemagne restored it as a pilgrim's way to Rome. It was a long and not easy route. Local legend says a dragon feast-

ed on one out of 10 pilgrims until Bernard de Menthon slew it. What is certain is that, in 1050, St. Bernard made the pass safer.

"As archdeacon of Aosta, he was responsible for the security of his flock. His merit was to set up the hospice where it was most needed, at the highest point of the pass, 2,469 meters (8,098 feet) high. Unfortunately we have no record of their feat of building the original two-story structure — far larger than any of today's alpine huts," said Jean-Michel Girard, who is the prior of a four-man community.

The monks live here the year round and follow his simple rule: "We worship the Lord and help any traveler in need," says Prior Girard. "Even if travelers do not choose to stay overnight, our rule specifies that they be

Continued on page 11

Feasts of Tofu in Tokyo and Kyoto

by Barbara E. Thornbury

TOKYO — The tofu restaurant Sasanyuki is justly proud of its 300-year history in the same location in northeastern Tokyo. Its rather poetic name was given early in the restaurant's history, by a member of the imperial family who had been living at a temple nearby. As the story is told, he compared the restaurant's soybean curd to "snow on bamboo leaves" (in Japanese, *sasanyuki*). To this day, the restaurant continues to serve only its own freshly made tofu.

Tofu, one of the most important and versatile ingredients in Japanese cooking, is the star of Sasanyuki's menu; it's also the featured item at the Goemon restaurant in Tokyo and at the Okutan restaurant in Kyoto. The white

cakes of soybean curd, rich in protein, were introduced to Japan from China 10 centuries ago. Over time, the techniques of making tofu were refined and almost every conceivable

The white cakes of soybean curd were introduced to Japan from China 10 centuries ago.

cooking method was applied — from boiling to freezing, steaming to drying, gelling to frying, to just using it fresh.

Tofu is still made by thousands of small, neighborhood shops around Japan, holding

their own against the encroachments of large-scale manufacturers. Even with the modern equipment most tofu makers now use, it takes skill to turn out a consistently high-quality product.

The basic process begins with soaking dry soybeans. The softened beans are then crushed, boiled and strained — to separate the soy milk from the soybean pulp. The next step is to add a coagulant to the soy milk, and then to pour the curdled milk into molds.

Depending on how much coagulant is used, whether the curds and whey are separated, and whether any of the liquid is pressed out, either of two types of tofu are made: cotton or silk. Cotton (the name comes from the cotton cloth that lines the mold and leaves its imprint around the edges

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TRAVELER'S CHOICE

Musical Vacations

A series of musical vacations, including one to Barcelona for a performance of "Samson and Delilah" with Plácido Domingo on June 24, is being organized for the summer. Future trips will include festivals in Aix-en-Provence, Salzburg, California and Colorado, and a performance of the Bolshoi Ballet in Moscow. Tickets and information can be obtained through the offices of Europa in Paris, Brussels, London, Madrid, Milan, Munich, Vienna and other European cities.

Museums: Afloat and Ashore

The Illinois State Museum has transformed a working riverboat into a floating cultural museum that will travel the Illinois River from Joliet, Illinois, south to St. Louis and back again, stopping at 18 points. The exhibition, known as Harvesting the River, depicts the region's environmental and social history with artifacts, early 20th-century photographs, videotapes of historic and current river activities and a series of lectures, folk music concerts, storytelling sessions and workshops. The journey begins Aug. 27 and ends Nov. 22. Special programs and festivals have been organized at each of the museum's scheduled stops. The Canadian Museum of Civilization will open June 29 in Hull, Quebec, just across the Ottawa River from Ottawa. The museum will feature re-creations of key sites in Canada's history, including a Pacific Coast Indian village and a 16th-century Basque fishing vessel. . . . The Eiteljorg Museum of American Indi-

an and Western Art will open in Indianapolis on June 24. The collection's strength lies in works by Frederic Remington, Charles Russell, Albert Bierstadt and George O'Keeffe. Native American exhibits include artifacts from the Tiñti.

Alaska Travel Pass

A pass good for unlimited travel by bus, train and state ferries in Alaska is being offered for the first time. Three plans are available. A pass valid for 8 consecutive days costs \$389; for 14 days, \$599, and for 21 days, \$699. Children 2 to 11 are charged two-thirds of the adult price; infants and toddlers under 2, free. The passes are good for unlimited travel on the Alaska Marine Highway (the state ferry), Alaska Railroad, municipal buses and the largest interstate bus line, Alaska Express (a subsidiary of Gray Line of Alaska). Information: Alaska Pass, P.O. Box 897, Haines, Alaska 99827.

For Castle Enthusiasts

Castle fans, take note: Paul Johnson, the author of "A History of the Jews," has written the text for "Castles of England, Scotland and Wales," just published by Weidenfeld & Nicolson in London (\$12.95). The book is beautifully illustrated with photographs of many of the astonishingly large fortresses of Britain's past, some of them ruins, some of them restored to full, terrifying splendor, and with diagrams and ground plans.

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THE FREQUENT TRAVELER

Flying Around U.S., Canada? Airpasses Offer Bargains

by Roger Collis

NORTH Americans enjoy the cheapest air fares in the world — thanks to airline deregulation. But the best bargains of all are reserved for overseas visitors who have had the foresight to buy an airpass before they leave home. For example, the one-way normal coach fare Miami-Toronto is \$265, and New York-Los Angeles is \$445. With a USAir/Piedmont airpass you will only pay \$99 and \$199 respectively. You even earn miles with your frequent flier program.

All of the major U.S. and Canadian carriers offer airpasses for travel on their domestic networks. In most cases you can use them to cross from the United States to Canada, and vice versa. If you plan to travel extensively in North America on business or pleasure, an airpass can save you up to 70 percent of the coach fare with few restrictions.

Residents of North America may not use the passes. They are available only to overseas visitors possessing a round-trip ticket on scheduled flights and must be bought before leaving home. Some airlines (Pan Am, TWA, Northwest) require you to fly either with them or with a national carrier of the country you start out from in order to qualify for their airpasses.

Typically, an airpass is valid for 60 days from the time you start to use it. You normally buy it in the form of coupons, one for each segment of your itinerary. Some airlines count connecting flights, others do not, but in many cases each flight involves a hub connection and thus requires two coupons. And there may be limits on how many direct transcontinental flights you can make.

Northwest is the only airpass with a first class option. All the others restrict you to coach. The Northwest first class pass costs \$649 for four coupons.

With most airpasses there is a minimum of two to three and a maximum of eight to 10 coupons. Pan Am, Continental and Northwest set no limit on how many you can buy. You must specify your itinerary in advance but only the first sector needs to be pre-booked in most cases; you can leave flights open

and change the date and time of flight. You may be able to change your routing for a penalty — \$25 for USAir/Piedmont and \$50 for Air Canada.

Northwest and Delta offer standby airpasses allowing 30 days of unlimited travel. The Delta standby, valid for the continental United States, costs \$399; Northwest's standby includes both the continental United States and Canada for the same price, and offers one that includes flights to either Hawaii or Alaska for \$599.

Choosing an airpass is a matter of deciding which airline best serves the cities on your itinerary (although you may want to alter it for the offers you can't refuse), the best gateway for entering and leaving North America, and how much you prefer to use and avoid. Of course, you want to look at conditions of purchase and use, and how much flexibility you need.

Prices are much the same: Three coupons will cost you from \$216 with Pan Am to \$299 with Northwest. Expect to pay \$35 to \$45 for each additional coupon. But you're likely to get best value by flying the greatest distance. No sense in wasting coupons on short hops, such as Toronto-New York or New York-Boston.

For flights like these, consider a Visit USA (VUSA) ticket, which you can use either by itself or in combination with an airpass. VUSA tickets are the same as any coach tickets (they are only available in coach), but are only 30 percent cheaper. You're able to change flights and switch from one airline to another. Like airpasses, they are only available to nonresidents, though you can buy them in North America seven days in advance.

"Normally, there's no point buying an airpass with a minimum of three coupons if you are flying one sector," says Julie Proctor, operations manager at WEXAS Travel in London. "But if you compare it to a VUSA fare you may find it cheaper to use one coupon and throw the others away."

A good way to combine economy with reasonable flexibility is an "open-jaw" APEX ticket (whereby you fly into one gateway and return from another) using an airpass or a VUSA ticket in between. The cost is the total of half the APEX fare to each city. Even on a full-fare you will be better off with a point-to-point ticket to the West or East

Kashmir's Exquisite Papier-Mâché Work

by Barbara Crossette

Srinagar, India — In India, where the traveler on a shopping expedition can wallow in brass and silver and gold, brilliant silks and fine leather, pottery and wood, some people never get around to the exquisite papier-mâché boxes of Kashmir. That's a pity.

Kashmiri papier-mâché work — not only in boxes, but also in bowls, trays, lamp bases and other objects — reflects in its finely drawn and gilded decoration the Persian heritage of this Muslim frontier of India. Courtly scenes and lavish flowers are favorite themes, recalling the splendor of Mogul life and the richness of Mogul gardens.

For visitors, souvenirs and gifts of papier-mâché have added advantages. They are relatively inexpensive — from only a few dollars for little boxes, trays, Christmas ornaments or decorated "eggs," to about \$60 for a medium-sized jewelry box — and they are very light in weight, while sturdy enough to withstand the knocks of travel.

Papier-mâché is a craft carried on in homes and small workshops all over the Kashmir Valley. Children of 10 or 11 help with the simple tasks, as they sit beside elders who have mastered their art over decades. The process of making a fine piece of papier-mâché is a lengthy one, said Syed Zulfikar as he walked a visitor through his family's workshops in Srinagar, on Dal Lake. Cutting corners means a loss of strength and quality, he added. The Syeds export most of their pieces to Europe.

Kashmiri papier-mâché work, a traditional craft among Shiite Muslims, a minority in the mostly Sunni Muslim valley, begins with the collection of scrap paper. "We used to use only certain kinds of paper," Syed said, "but now we find we can use any kind, with the right treatment."

The paper is soaked in water for four to five weeks, then extracted to be beaten in a giant mortar until it becomes a pulp. The pulped paper is put out in the sun to dry, the length of time depending on the season. Kashmir has a temperate climate, with snow and ice in winter and relatively hot summer days. The dried paper, in powdered form, is then mixed with rice water and allowed to coagulate. Meanwhile, craftspeople prepare wooden molds by covering them with a highly glazed layer of dry newspaper to prevent sticking later.

Syed said dozens of objects in the same shapes are made at once for efficiency's sake. In one of his workshops, 11-year-old Parvez Ahmad was coming round wooden balls that will mold Christmas ornaments, while Abdul Gani Wani, a 50-year-old master, was putting the finishing touches (small wooden heads) on a flock of still unpainted ducks.

When papier-mâché objects have been shaped, dried and released from their molds, the finishing process that separates the best from the ordinary begins.

Two rough coats of buff-colored paint are put on each object at the Syed workshops and a rubbing down with pumice stone follows. When the boxes are smooth to the fingertips, they are coated with glue and fine tissue paper. This technique makes them stronger and heat proof, Syed said. A fine razorblade finish removes any tissue bumps.



Syed Murtaza with papier-mâché items after they are decorated (right).

The boxes or other objects are now ready for painting, first with a base coat that will determine the background color — often blue or black. Then a painter artist sketches in the detail on each piece, using a fine cat-hair brush. Pieces are then turned over for finishing to individual artists.

Every piece is an original. On some, almond-eyed women and lavishly dressed courtiers lounge on pillows; on others, floral designs or bright birds splash across the tops or spill down the sides.

Two coats of varnish and two to five days of drying follow the painting. At that point 22-karat gold detail is added. The Syed workshops have devised their own recipe of water, salt and gold leaf to make a workable paint. When dry, the gold detail is polished with semiprecious stones. Two more coats of varnish lock in the shine, giving the object the gloss of fine lacquerware.

Pieces then get a traditional black interior, locked in with yet another coat of varnish. At that point they are inspected for any flaws before being packed for export. Syed said

most of his customers are in Europe, especially France and West Germany.

The family has no retail outlets of its own in Kashmir, except for a small showroom on the grounds adjoining But's Clermont Houseboats at the upper end of Dal Lake.

HIGH-QUALITY papier-mâché pieces from workshops like the Syeds are on sale at Kashmir state government shops in Srinagar and New Delhi. In the capital, there are two Kashmiri showrooms, at 5 Pithivari Road, near the Taj Mahal Hotel, and at 7A Emporium Complex, Baba Kharak Singh Marg, off Connaught Place. There is also a good selection at the Central Cottage Industries shop, run by the national government, at 25B Connaught Place, off Janpath.

In Srinagar there are three Kashmiri Government Arts Emporium outlets: the head office at Emporium Garden, Sher-i-Kashmir Park; at Lal Chowk and at Boulevard Road. Good Kashmiri papier-mâché work, Syed

said, should be uniformly smooth and sturdy to the touch. A box with square corners means wood has been added for strength; solid papier-mâché pieces normally have rounded edges.

Boxes — from tiny round pillbox size to small chests — are the most common papier-mâché products of Kashmir sold in New Delhi. But there are also picture frames and trays, egg cups and even wine glasses that are better to look at than to use.

Papier-mâché will resist water and other liquids, Syed said, but it should never be soaked, and it is not therefore recommended for beverages.

Large papier-mâché vases, some three or four feet high selling for hundreds of dollars, cannot be used for flowers that stand in water. Most Kashmiris, who use the large vases to decorate their homes, leave them empty or fill them with dried flowers or grasses from the mountain meadows of the vale of Kashmir.

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Italy's Euganean Hills

Continued from page 9

nounces the presence of a skilled mechanic. Then a young woman in blue jeans and boots flies by on a motorcycle, long blond hair escaping from her helmet.

We climb a hill toward the ancient hermitage of Riva. The monks, Benedictines of the Camaldulian order, do not permit women to enter, but the drive itself, on a

The monastery was founded in the 11th century but rebuilt during the 15th and 16th. It can be visited on a tour guided by an eloquent young monk, whose fund of knowledge, though vast, does not extend to foreign languages. Told that some of his charges did not understand Italian, he replied philosophically, "They will help one another."

The mountain town of Arquà Petrarca adopted the name of its most famous resident, the 14th-century poet Petrarch.

On our second day's wanderings we ventured farther, heading for one of the recommended highlights of the region: the gardens of the 17th-century Villa Barbaro in Valsanzibio. The vast park is considered a unique example of Italian Baroque landscaping, one of the few intact, at least in size. It may seem childish, then, to complain that the landmark was in no shape for visitors when we saw it. Yet the elements so dear to patrician country retreats could be admired: fountains and ponds inhabited by black and white swans, grottoes, a maze and statuary of all kinds.

From Valsanzibio, it is a short ride on back roads to Arquà Petrarca, the mountain town that adopted the name of its most famous resident, the 14th-century humanist and poet Petrarch, whose name in Italian was Francesco Petrarca. Arquà is on three levels: first, the church, with Petrarch's tomb; then, crowning the hill, the castle; and, on the town hall and a café, where local men sip wine and eye the motorists struggling to find a place to park, and next, the poet's home: an unpretentious, attractive stone dwelling designed in 1369 by a true Renaissance man.

THE town, with its steep, narrow streets and ancient buildings, and the poet's house, with unchanged views of vineyards and green hills, are more evocative of medieval times than many far more celebrated places.

For centuries, pilgrims have been traveling these country roads to pay homage. The visitor's books on display carry the signatures of Byron, Mozart and Rilke, as well as royalty from many lands and several 19th-century Americans on the grand tour. Among Petrarchian souvenirs in the house are the chair in which he died, while reading, on his 70th birthday in 1374; early editions of his books; drawings and lithographs, many of them portraying the fair Laura, immortalized in his verses.

From Arquà, the road descends to Montebelluna, a pleasant city built at the foot of a small hill. Parts of the massive medieval wall still exist, as do the romantic ruins of a fortress atop a cliff. Graceful Piazza Mazzini, the town's center, distinguished by a 13th-century clock tower, leads to the Via del Santuario. Walking uphill, one passes a great stone castle built during the 13th and 14th centuries. Next comes a glimpse — through a locked iron gate — of a majestic staircase flanked by classical statues; a lovely home; a wall, next to the road, topped by a dozen statues of male and female dwarfs. We learn from two young women, as they dismount from bicycles and unlock the gate, that we are looking at the Villa Nani, or house of

dwarfs. It houses law offices, they explain, and it is not open to the public.

We resume the steep walk to the Romanesque cathedral. It is closed, says a sign, as it is being used for recording. We sit in the shade on a low wall and listen to an expertly played piano, enjoying the panorama below: cobblestoned alleys leading to the newer part of town, and then a sea of wheat and corn, and orchards, which specialize in peaches of great renown.

Another monumental set of walls awaits the traveler in Este, cradle of the illustrious family that later ruled over Ferrara. At the

southwestern edge of the Euganean Hills, the towered ramparts of a 14th-century castle form the enclosure for a spacious public garden, with lawns shaded by towering cypresses and magnolias, exuberant flower beds and gravel paths where children ride their bikes.

Este's history predates that of Rome. A precious collection of prehistoric artifacts — jewelry, ceremonial vases in animal shapes, small figures — can be viewed in the recently renovated National Museum. It is in a 16th-century palace whose facade is a portion of the above-mentioned castle walls — a case history in the adap-

tive re-use of ancient structures. Along the east side of the castle walls, a quiet road climbs up to the hills, the Via Byron. A short walk leads to Villa Kunkler, the house Byron rented in 1817 and 1818, and where Shelley composed "Lines Written Among the Euganean Hills." Though the house is now privately owned, a stone marker pays tribute to the Romantic poets who, like Petrarch, found the hills a source of inspiration and peace.

Alberta Eisenman, a native of Venice and a resident of Connecticut, wrote this for The New York Times.

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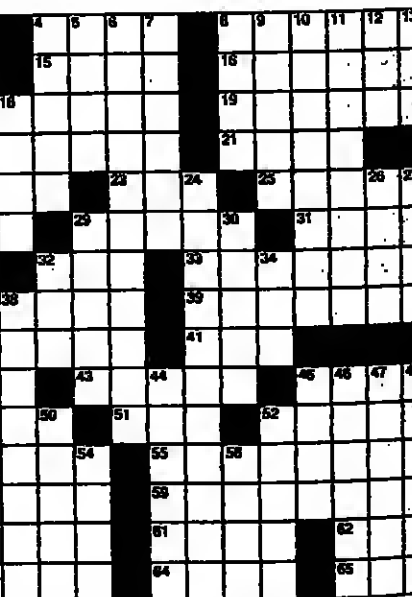
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TRAVEL

Some No-Frills Dining With a Personal Touch

PARIS — As weather warms, thoughts turn to lighter, no-frills dining. And we are all the happier if that meal can be gentle on the budget. There are several spots, some new, some simply newly familiar, that fit the bill.

If you've given up hope of finding a decent meal in a banal-looking sidewalk café, try Les Fontaines. It looks like one of thousands of crowded, smoke-filled, Paris cafés, but both food and wine are as good as you will

PATRICIA WELLS

find in more impressive-looking bistros for twice the price. The owners, Roger and Suzanne Lacipiere, are a dedicated pair and offer good, classic bistro-style fare.

Service here is all but nonexistent. Most people go here for the beef, aged a good two weeks in their own lockers. It's no surprise to find that Roger Lacipiere is a former butcher, for his fillet de bœuf au poivre is a model of its kind, lustily rare and coated with a mouth-stinging layer of crushed black peppercorns. Equally good is the steak de gigot, a thick slice of leg of lamb, quickly sautéed, and served with giant portions of pan-fried potatoes. The very drinkable Samur-Champigny is available by the bottle or in carafe.

A lot of people talk bistro, but few live it. A bistro is about generosity, personal contact, human touches, little restaurants that take on the quirks of the owner. Chez Gérard is that kind of place, where the owner—the mildly rumpled, mildly frenetic Gérard Rongier—sets the pace.

"Hey, this morning I tasted an incredible Alsatian white. Trimbach's 1983 Riesling. You've got to try it," he hops the cork for visitors to sample. "And then you must try the Chiroubles. Been buying from this guy for 20 years. I nearly flipped out when I sampled it," Rongier continues, putting cork-screw to bottle again.

This dark-haired Auvergnat has finally moved beyond the wine-bar circuit to run his own style of restaurant. So while his wife tends to their wine bar (Le Val d'Or, 28 Avenue Franklin D. Roosevelt, Paris 8) he is on Rue Vital, serving platters of aboulet (the earthy Lyonnais sausage of pork, beef, pig's head and skin); silken terrines of foies blanches de volaille; deliciously tender, rosy lamb with buttery flageolet; giant grilled gambs resting on a bed of sea salt. In short, a menu filled with rustic fare, dotted with a few modern, inspirational touches.

While some of the dishes are a bit overcooked for my taste—a bar that was fresh but cooked timidly, over too low a fire; rabbit with cabbage that was a bit too nouvelle (as well as overcooked)—I still go back for the fine-tuned wine selection, and Rongier's cheerful disposition.

The Trimbach '83 is indeed a dream, a wine that defines what perfect balance means in a wine, and fragrant, crisp and clean. As for the Chiroubles, it has that rare, grapey, unaffable quality that perfumes the palate. For serious wine lovers, a return visit might also be in order to sample the Saint-Joseph, a lively, vanilla-rich Rhône Valley red that he bottles with loving care.

The decor—a not very successful interpretation of a turn-of-the-century bistro—is a bit cold, and the young waiters need to wake up a bit. Those who love posters will admire the colorful ceramic reproduction of Steinlen's "La Rue," which adorns the back wall as well as the service plates.

Leave it to the most Hollywoodian of French chefs to bring a touch of California. The media-conscious Jean-Pierre Vigato, of Apicius on the Right Bank, has expanded across town, opening La Manufacture just beyond the Porte de Versailles. It is a lively spot almost sure to succeed, attracting a trendy clientele. The airy, loft-like Manufacture looks like a renovation, but Vigato and his designers consciously constructed the space to resemble the large, open restaurants so popular on America's West Coast.

THERE is no question that Vigato has also decided to take advantage of Paris's expanding boundaries, setting up, not so coincidentally, within earshot of Maison Blanche, another very successful modern restaurant.

The kitchen is in the hands of Vigato's longtime second, David van Laer, who presents a quite satisfying (if not yet thoroughly successful) menu. Still, the overall result is pure Vigato: ultra-modern, spare and generally straightforward.

The best dishes sampled on a recent visit included a satisfying, well-seasoned petit plat chaud de viandes, a simple platter of asparagus and leeks (a clever idea that keeps the price reasonable); the superb salmon cuit-cru, very thick filets of salmon aged with herbs and spices, much like a Scandinavian gravlax. For those who can never get enough bone marrow, the warm, crunchy croquette de moelle de bœuf is a must. Most first courses are served with a perfectly dressed salad, a practice I heartily applaud.

Other dishes were less successful: a boursin that tasted more like a watered-down gazpacho; a bizarre dessert of fresh grapefruit set on a bed of thick, gooey cream; and a six-crasquait aux raisins that suffered from an overdose of cream.

The brief wine list is well-conceived and well priced, with an abundance under 100 francs. Best bets include Château de Beaucastel's Cru du Coudelet, one of the best Côtes-du-Rhône ones is likely to find, and two good-value Burgundies, including Simon Bize's fine Bourgogne rouge, and Louis Jadot's lively, unfettered Auxey-Duresses.

Les Fontaines, 9 Rue Soufflot, Paris 5; tel. 43.26.42.80. Closed Sunday. Credit card: Visa. A la carte, 160 to 180 francs, including wine and service.

Restaurant Chez Gérard, 31 Rue Vital, Paris 16; tel. 45.20.33.00. Closed Saturday and Sunday. Credit card: Visa. A la carte, 160 to 280 francs, including wine and service.

La Manufacture, 20 Esplanade de la Manufacture (across from 30 rue Ernest-Renan), 92130 Issy-les-Moulineaux; tel. 01.43.08.08.98. Closed Saturday lunch and Sunday. Credit card: Visa. A la carte, 250 to 300 francs, including wine and service.

Tofu Feasts

Continued from page 9

of the tofu) has a firmer texture, whereas silk (which uses no cloth in the mold and is smooth all around) is softer and more custard-like. Though cotton tofu holds its shape better in dishes that require extended cooking, either type can be used in most recipes.

Tofu is sold fresh or already fried or frozen. In some stores it can be bought freeze-dried. It is a familiar addition to miso soup and to one-pot dishes such as *sukiyaki*, *yu-dofu* (simmered tofu) and *oden* (a kind of

offers the three basic dishes as well as three considerably different ones. *Hiryozi* is deep-fried tofu mixed with roasted sesame seeds and chopped vegetables. *U no hana* uses the soybean pulp that is left when soy milk is squeezed out of boiled soybeans. The fresh pulp is sautéed with vegetables and slices of fried tofu. The third dish, sesame tofu, is not really tofu at all. Rather, it is a look-alike, made from pureed sesame seeds and water, and thickened with potato or *kuzu* starch.

The third set menu, at just over \$23, comes with all the above, plus two more dishes. One is a tofu and egg custard. The other incorporates both *yuba* (soy milk skin) and *kaya-dofu* (freeze-dried tofu) in a soy-flavored sauce simmered with vegetables.

ANOTHER restaurant in Tokyo that specializes in tofu, Goemon, changes menus with the seasons. In the colder months of October through April, Goemon features simmered one-pot dishes, such as *yu-dofu*. Guests cook the tofu for themselves at tables equipped with charcoal braziers.

From May through September, the highlights of the menu are chilled tofu and dishes garnished with fresh-picked greens. Goemon also serves *dengaku*, a delicious combination of grilled tofu and different types of *miso*. Prices for the set menus range from \$31 to \$42, which includes soup, rice and pickles.

Those who want to sample tofu cooking in Kyoto, the home of Buddhist temple cuisine in Japan, should try Okutan. It was founded in the 18th century, within the grounds of Nanzen-ji temple, to provide refreshment for visiting pilgrims.

Okutan is best known for its simmering pots of *yu-dofu*, served with side dishes of vegetable tempura and grilled tofu with *miso*. Summer dishes include chilled tofu as well as a dish called *spicy tofu*, fried dumplings made with fresh soy-milk curds seasoned with hot mustard. Prices for a complete meal at Okutan begin at around \$20.

The superb meal, embodying centuries of culinary tradition, is complemented by the peaceful setting: the temple overlooks gardens and a pond, the kind of scenery that draws visitors to Kyoto.

Barbara E. Thornbury, a writer who lives in New Jersey, wrote this for The New York Times.

Some of the most imaginative uses are derived from the traditions of Zen Buddhist temple cuisine.

stew). In the hot summer months, chilled fresh tofu with a variety of garnishes such as grated ginger, chopped green onion and soy sauce, is a favorite all over Japan.

There are, however, many other uses of tofu. Some of the most imaginative are derived from the traditions of Zen Buddhist temple cuisine. It was chiefly Buddhist priests, whose religious vows prohibited them from eating meat, who were the earliest users of protein-rich tofu in Japan. For the first two of its three centuries, Sasamoyuki served only one dish, called *ankake-dofu*. That is still offered today, along with about a dozen other tofu selections.

Guests pick from among three set menus. The basic one, at just over \$7 (prices figured at about 130 yen to the dollar), is a good introduction to the pure flavor of the snowy-white silk tofu the restaurant uses.

Subtle, though surprising, variations in flavor are achieved through the use of different sauces and garnishes. In *ankake-dofu*, the restaurant's original dish, the tofu comes with a sauce made of soup stock seasoned with soy sauce, sugar and *kuzu* (sometimes translated as arrowroot) starch, and finished off with a dollop of hot mustard. *Kake-joyu-dofu*, with a light soy-based broth, uses pieces of chicken, onion and *shitake* mushrooms. *Chiri-mushi-dofu* is tofu steamed with egg, a small amount of soy sauce and pieces of fish, and flavored with a bit of lemon.

The second set menu, at around \$16.50,

Exploring the Canopy of Peru's Rain Forest

by Oliver Tickell

PUERTO MALDONADO, Peru — Once over the snowy peaks of the Andes, all that can be seen on the flight to Puerto Maldonado, in the Amazon's southern headwaters, is an enormous dark green sea of forest. The only breaks are small clearings, increasingly frequent near the city, and rivers, gleaming silver in the tropical sun. Puerto Maldonado is the capital city of Madre de Dios, a Peruvian department that contains the largest area of pristine rain forest in the Amazon basin.

Struck by the moist tropical heat as I emerged from the aircraft, I was greeted by the Peruvian Safaris representative who took me and several other visitors to the city in the back of a pickup truck—no luxury perhaps, but the best available, as the local taxis are all mopeds.

Puerto Maldonado gives an impression of rapid and unplanned growth; but despite its raw, Wild West feeling, there are no signs of the poverty prevalent in other Peruvian cities.

Soon we reach a small port on the river, where dugout canoes jostle with larger low-slung wooden boats with small engines. Waiting while the boat is loaded, I get into



conversation with other visitors to the Tambopata Reserve, a 13,600-acre (5,500-hectare) rain-forest research center, and with Michel Alexiades, an ethnobotanist returning to his work there. As we chug our way up the river on a trip that can take from an hour and a half to three hours, depending on season, he explains what we see.

MUCH of the forest along the river has been cleared and replaced by fruit trees, cattle pasture and small homesteads, where highland farmers have been encouraged to settle as an alternative to agricultural reform. The scene appears green and pastoral, as it is the wet season, but in the dry season, smoke from forest fires started, according to Alexiades, by farmers clearing their plots, or *chacras*, fills the air with a smoggy haze. As we continue our journey the forest thickens; on one bend in the river he points out a sandy beach that serves as a port for a medical center, established by the forest Indians to promote and apply their traditional medicine. It is here that he is collecting samples from the thousands of trees and plants, and recording their medicinal and other uses, before the knowledge of the Indians is lost.

Round a further loop in the river we reach our destination—the Explorer's Inn, at one corner of the reserve. Alex Robertson, the assistant manager, brings us cocktails and welcomes us to an excellent lunch. Here I meet some of the resident naturalists, volunteers who do research and also serve as guides. The buildings are spacious, and made from local materials—wood and palm

thatch—to the traditional design, with the worthwhile addition of mosquito nets. After lunch, I go to my room and am pleased to find that it is clean and comfortable, and has a private bathroom with shower.

That afternoon, Robertson and I go out into the forest on trail clearance duty, wielding machetes, while the other visitors go out on a guided tour. Hacking down the rain forest vegetation may sound destructive, but the network of trails, which stretches for 30 miles (about 50 kilometers) through a great variety of forest types, needs constant maintenance. It is hot work. Although it is far cooler within the forest than outside, there is hardly a breath of wind and the humidity is close to saturation. My first experience of the wildlife is with the sweet bees that land on my clothes and skin to drink my salt-laden perspiration. Most of the wildlife is frightened away by the noise we make, but Robertson spots some small monkeys peering down at us from the canopy, before they escape into the twilight depths of the forest.

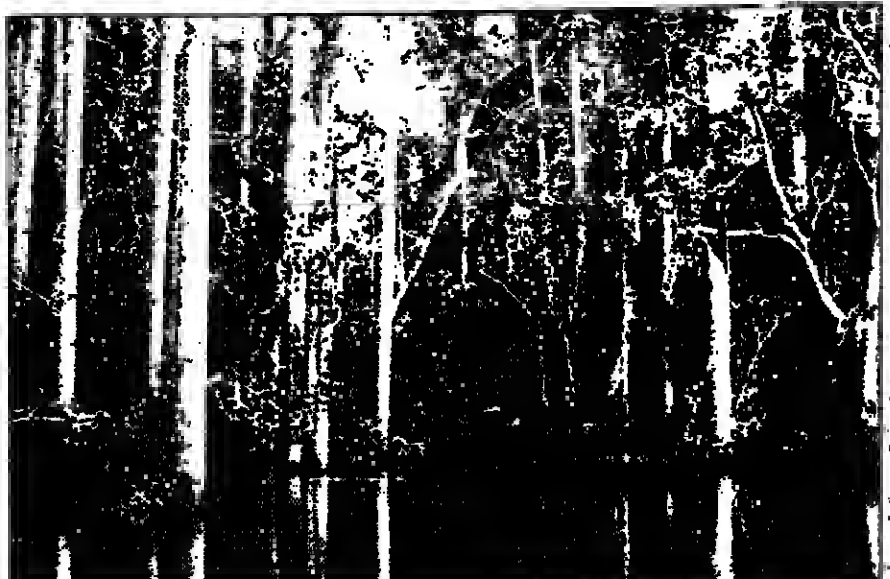
BACK at the lodge and hot and sweaty, I decide to join Alexiades in a swim in the Tambopata River; we walk down to the rocks on the riverbank and drive out into the murky red water. I was enjoying the swim until Alexiades told me about a friend who also swam into the river, but came out of sheer agony after being stung by one of the stingrays that lurk on the muddy river bottom. I am treated to a first-hand experience of the power of the river as we swim over to the other bank: It is all I can do to hold even against the current, and the crossing, about 200 yards wide, takes at least 10 exhausting minutes. Fortunately, a settler across the river takes us back in a motorboat.

Dinner that night is dominated by an expedition of birders, led by the Cuzco-based ornithologist Barry Walker, on their way to Machu Picchu and the Galapagos Islands. More than 570 different species of birds have been identified in the reserve, some for the first time, and the list is constantly added to. This makes Tambopata home to more bird species than any comparable area in the world, and it holds a similar record with its 1,200 species of butterflies. Many Amazonian birds are becoming increasingly rare, none more so than Tambopata's 18 species of macaws, toucans and parrots, exterminated in many areas by collection for the world's lucrative pet trade. Although Tambopata is a bird's paradise, if the surrounding forest is cleared, most of its species will also disappear in time.

The reason for its enormous diversity of life is that Tambopata lies on three distinct ecological zones—the upland cloud forest, the lowland rain forest and the savanna on the Bolivian border. And its canopy, broken by occasional storms from the south, provides a wide range of ecological niches.

The rain forest canopy, often a dizzying 150 feet (about 30 meters) above the forest floor, is the richest and least understood wildlife environment on our planet. The first clue to the number of species it contains was from experiments carried out at Tambopata by Terry Erwin of the Smithsonian Institution. Biodegradable insecticides released into the canopy brought down a rain of thousands of unknown insect species, each species of tree having its own unique population. Erwin says these findings indicate a possible 50 million insect species in the rain forest canopy—10 times more than the total number of life species previously imagined. His further research at the nearby Manu Biosphere Reserve now suggests this may be an underestimate.

Meanwhile, at Tambopata, another project to explore the canopy is afoot. Mark, a quiet-spoken English mountain climber, has been scaling some of the giant emergent trees (that is, trees that have grown through the canopy),



Top, the reserve's Laguna Sandoval; bottom, the Explorer's Inn.

hauling himself up on the thick tangle of lianas that surrounds their trunks. Having reached the top, he leaves ropes hanging over branches, so that others can follow a less hazardous course, and help make observations. As a result of Mark's pioneering work, Tambopata, with its 11 platforms, has the best canopy access anywhere in the world. Venturing onto the canopy is not part of the tour, but when Mark offers to help me up, it is hard to refuse without appearing cowardly.

Dangling from the end of the rope, and secured to another safety rope lowered down to me from above, I slowly make my way up. For the first time I can clearly discern the successive layers of vegetation: the understory, the middle story and the main canopy. It is not long before the ground seems very far away, and I have to shut my eyes to avoid a rising sense of panic. The worst moment is mounting the platform, 8 to 10 feet long and 6 feet wide. But once on it, the experience is magical, with the treetops spread around in a glorious vista of color and light. The tree sways in a gentle breeze, and I gradually relax my grip and move with it without fear, enjoying a wonderful sense of freedom.

As they grow accustomed to our presence, the birds and animals slowly return. Mark points out a plum-throated cotinga, recently thought to be a silent bird, until its song was heard from this very platform for the first time. After about an hour's quiet appreciation of this natural splendor, it is time to return to the forest underworld below.

In the afternoon I go for a walk in the forest, enjoying its dappled green shade and mysterious sounds, the stillness sometimes interrupted by wild animals: an armadillo rustling in the leaves, a herd of wild pigs

crossing the trail ahead, a two-foot-long lizard disappearing between the snaking buttresses of a giant tree. Many other animals, including bush dogs, giant anteaters, tapirs and leopards, also occasionally signified, but before I encounter any of these, the skies darken and a huge thunderstorm breaks. The rain falls deep into the night, and for the first time I really understand the meaning of the words "rain forest."

Next morning, a resident naturalist leads a small expedition to a lake several hours' walk away. On the day, we are lucky enough to come across a troupe of howler monkeys making their booming early morning calls, then we spend a beautiful morning lazily floating in boats, watching the myriad water birds and enjoying the hot sun. The discovery of a dugout canoe in a little-visited backwater of the lake, maybe belonging to poachers hunting the black caymans and giant otters sometimes seen there, stimulates a discussion about problems on the reserve.

In spite of its protected status, poachers are known to enter the reserve, and its wild animals may be suffering. And a short time before my arrival, several *chacras* were discovered in a corner of the reserve. Most serious, the reserve may become an island of forest, too small to maintain viable populations of its plants and animals. Several proposals are afoot to expand the reserve.

Returning to Puerto Maldonado, I muse on the future of the forests of Madre de Dios. One thing is clear: Tambopata is better visited sooner rather than later.

Oliver Tickell is the author of "Cusco," to be published by Connoisseur Publications in London. He wrote this for The New York Times.

Saint Bernard

Continued from page 9

given a quarter loaf of bread, half a pound of cheese, a glass of wine and some soup. Of course, we can no longer offer this to every tourist. But we do offer shelter and sustenance to all who come on foot, bike or skis."

When, in 1800, Bonaparte forced his golden eagles, cannons and an ill-shod army over the Alps to Italy, his 40,000 men were also given bread, cheese and wine. Among them was Stendhal, then a young lieutenant bracing himself consciously for his baptism of fire. In his journal, he described the climb over uneven rock slabs, holding his horse's reins with only two fingers lest it slip and drag him over the precipice.

For centuries, travelers' accounts evoked the pass less with admiration than with fear. Most, like Stendhal, heaved a sigh of relief. Horace Walpole, whose plump spaniel was snarled up by a wolf before his eyes, swore: "I hope I never see the Alps again."

After a night on a straw pallet at the hospice, clambering down the other side was just as strenuous and unnerving. Yet on New Year's Eve of 1128, one priest alone was not enough to hear all the confessions of those trying to cross. From Martinmas on Dec. 11 to May, four lay helpers, the *maroniers*, patrolled each day to help travelers on either side of the mountain. The famous lifesaving dogs did not appear in accounts or engravings until the 19th century.

In spring, they always found some frozen bodies. The shrouded remains of 150 lost souls—some dating back to the 15th century—ended up against the walls of a small chapel. The morgue was sealed in 1936 and can no longer be visited. But once, a trip was not complete without a morbid glimpse through the grated window.

The notion of travel for pleasure did not appear until the 16th century. In 1608,

Thomas Coryat, in perhaps the world's first guidebook, warned that Swiss roads "are very offensive to foot travelers. For they are pitched with very sharp stones that will very much punish and grate a man's feet."

The Age of Reason thought little of oddities such as mountains. Scientists went there for information about the earth, to gather specimens of plants and rocks. On self-appointed missions to measure, record and catalogue, Horace de Saussure and others loaded delicate cumbersome equipment on the backs of their guides and climbed higher and higher to make observations.

IN the wake of Bonaparte's armies, his engineers had built poplar-lined carriage roads. The last shot at Waterloo proved a starting gun for hordes of British travelers. The travel patterns they set were followed by Thomas Cook's tours, and excursion coaches often stick to them today. A side trip up the old, 81-kilometer (50-mile) Roman mule trail to the Great Saint Bernard was a must and remained so.

"After the motor road was built in 1905, then the tunnel 25 years ago, we were overwhelmed by indifferent crowds in summer, alone at the pass in winter," recalls Prior Girard. "Since 1960, with the skiers, we have found a new calling. We are once more the guides of St. Bernard, in the spiritual and the physical sense. Whole families, groups of youngsters come by the hard way, on seal-skins. The steep trail takes a few hours and allows Brother Bernard a chance to spin a few interesting parables along the way. Sometimes we have 50 or 100 skiers over a weekend. They stay for a night or more if the weather is bad."

No longer needed for rescue missions, the dogs still serve the monks. The few francs fee



No longer needed for rescue missions, the dogs still serve the monks.

to visit them and the occasional sale of a chubby pup for \$1,000 provides one-third of the funds needed to run the hospice. Their keepers like to point out that the dogs never carried a keg of spirits.

On Thursday, the anniversary of the pass was celebrated by the dedication of a new museum to present the hospice's treasures—a polychrome 13th-century statue of St. Bernard, ancient coins, jeweled crosses and ex-votos, gifts of the mighty or the small over centuries. All summer long, processions, a play, medieval markets and exhibits in the villages along the way will illustrate the pass's long history.

Other events: June 18-19: Colorful processions from

Sembrancher will recall all who trekked through the pass.

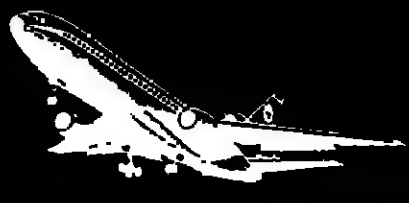
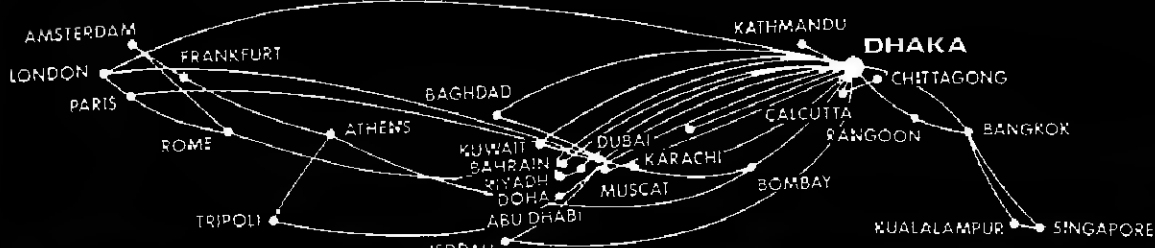
July 6 to Aug. 15: Medieval markets and a medieval mystery play on the life of St. Bernard will be held in Orsieres on Thursdays and Saturdays.

Aug. 15: International jamboree for scouts from Italy, France and Switzerland.

Aug. 19-20: A people's march complete with costumes, dogs, Napoleon's Grenadiers and even an anachronistic elephant (Haanibal never came though here) will be held. Information: Tourist office, 1920 Martigny, tel: (026) 22-10-18.

Mavis Guinand is a journalist based in Switzerland who specializes in cultural affairs.

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WALL STREET WATCH

**For Western Union Chief,
Less Turns Out to Be More**

By FLOYD NORRIS
New York Times Service

NEW YORK — Executives who run companies are supposed to have a stake in making sure the common stock does well. But Bennett S. LeBow, the man who controls Western Union Corp., has set things up so that, at least for the next several years, he will profit if the common stock falls.

And there is reason to think that will happen. It is almost certain that an investor who is bullish on Western Union would do better to invest in preferred shares than in common stock. That is a big reason why the price of the common shares has been falling.

Asked if he stands to profit from a lower stock price, Mr. LeBow said, "That's true and that's not true." He said his overall investment would prosper if the company does well.

Since Mr. LeBow took over Western Union in 1987, the company has been shifting from telegrams and telex to facsimile transmission and such services for consumers as cashing paychecks and paying utility bills.

Mr. LeBow, whose empire also includes MAI Basic Four Inc., the computer company that has been trying to acquire Prime Computer, now has his major investment in Western Union in the form of bonds and preferred shares he bought at a deep discount to stated liquidation value.

The preferred purchase was made after the troubled company stopped paying dividends on those shares.

The current crisis for Western Union stems from the fact that \$500 million in bonds, now paying 16.5 percent, are supposed to have their interest rate reset at a level high enough to cause them to trade at 101 percent of par value.

That reset rate, which will probably be announced in the next week or two, is likely to be more than the company can afford to pay, and it has responded with an offer to swap those bonds for other bonds and some stock.

There is substantial doubt on Wall Street, to say the least, that the reset feature will work. But in response to a "road show" this week, at which Western Union officials met with bondholders and pointed to signs of improving business, the price has begun to move up.

In New York Stock Exchange trading Thursday, the bonds closed at 94.125 percent of par, up 1.375 points this week.

PART of that rise seems to reflect promises that the company is willing to make concessions to bondholders. "We've had various suggestions on covenants and maturities," Robert J. Amman, the president and chief executive, said in an interview Tuesday. "I think we can incorporate a number of them." He declined to be specific.

Mr. LeBow's curious position comes from the package of securities he proposes to give himself, in return for \$27.1 million face value of the bonds and a \$54 million cash infusion. He would get two bond issues, each paying interest at a stated rate of 17 percent.

The catch to those bond issues comes in the fact that if the company cannot afford the cash — and just now it clearly cannot — it can pay the interest in common stock for at least the next five years, and possibly longer. That stock will be valued at a 40 percent discount. Based on current market value, that is a yield of 28.3 percent.

More important, the lower the share price falls while the bonds are outstanding, the more shares Mr. LeBow will get. Eventually, as with any shareholder, he would profit from a rising price. But for the time being, the lower the price the better.

**BP Puts
Coal Unit
On Block**

**Sale Is Part of
Refocusing on Oil**

Compiled by Our Staff From Dispatches

CLEVELAND — British Petroleum Co., pursuing its drive to focus more closely on its core business, announced Thursday that it had put most of its worldwide coal operations up for sale.

BP said in a statement that it hoped to sell its Cleveland-based BP Coal subsidiary to a single buyer, but would consider selling some properties individually.

In another, similar move, BP agreed recently to sell its BP Minerals unit to RTZ Corp. for about \$4.3 billion (\$6.49 billion).

BP Coal had revenue of \$959 million last year, and produced 32 million tons of coal, 56 percent of it in the United States.

BP Coal has 2.1 billion tons of extractable reserves in the United States, Australia, South Africa and Europe. About 40 percent of the reserves are in the United States.

"In line with BP's strategy of focusing increasingly on oil, gas, chemicals and the varied opportunities presented in the petroleum sector, we believe we have now reached the point where our coal interests are likely to offer greater value to a company in the coal or mining sector," said the BP managing director, Patrick Gifford.

BP said it hoped the sale would be completed by the end of the year. The company has retained Chase Manhattan Bank as its financial adviser.

It said, "The proceeds of the sale will strengthen BP's balance sheet and place the group in a better position to take advantage of future investment opportunities."

Analysts said the sale was part of a general divestment program aimed at reducing the considerable debt that BP incurred by buying back nearly 12 percent of its equity from the Kuwait Investment Office. The British government ordered the Kuwait agency last year to cut its stake in BP to 9.9 percent.

Not included in the offer for sale are BP's operations in Indonesia, where it has a joint venture to develop the Sangatta mine, and BP Canada's coal interests.

(AP, Reuters)

Mergers Fill European Skies

**EC, Consumers
Putting Pressure
On Flag Carriers**

By John J. Duffy
International Herald Tribune

PARIS — Sometimes reluctantly, Western Europe's flag carriers are beginning to face the fact that they will need to join forces through mergers, share exchanges and business combinations if they are to be competitive in the airline industry of the 1990s.

Wrapped in cloaks of national sovereignty, European airlines have long considered themselves immune to the competitive pressures that have forced other industries to reach out for foreign partners.

Rigid systems of government regulations on fares, capacity and market access have allowed the big, mostly state-owned flag carriers to divide up markets with little regard for non-European or smaller domestic competitors.

But today the big European carriers are facing a growing wave of pressure — from consumers seeking lower fares and from the political momentum toward a single European market after 1992 — to change their ways.

That pressure has prompted some European airline executives to speak openly of the creation of a European supercarrier.

"If we think we can compete with the American and Asian airlines by having an international carrier in every European country, we are fooling ourselves," said Jan Carlzon, chairman of Scandinavian Airlines System.

In one of the largest European airline combinations to date, Sabena Belgium World Airlines on Tuesday is expected to announce a deal to sell 20 percent stakes to British Airways and to KLM Royal Dutch Airlines, culminating a search of more than two years for a European partnership.

Some European airline executives have forecast that there are even larger deals to come.

Earlier this month, Naris Andreu, president of Iberia Air Lines of Spain, raised more than a few eyebrows when he said he

European Airlines at a Glance

Total Passenger Scheduled Services	1987	1988	% Change 88/87
Revenue Passengers (000)	130,553.3	136,799.5	+ 4.9
Revenue Passengers Km (mil)	24,607.3	26,066.1	+ 5.9
Available Seat-Kilometers (mil)	36,089.9	38,514.0	+ 6.7
Revenue Passenger Load Factor %	68.2	67.7	- 0.5
Passenger Revenue US\$ (mil)	25,384.7	28,604.3	+ 12.7
Revenue per Passenger Km US\$	10.32	10.98	+ 6.4
Available Seats per Aircraft	204.0	202.7	- 0.6
Average Stage Distance Km	1,058	1,055	- 0.3

Revenue Passenger Kilometers IN MILLIONS	1987	1988	% Change 88/87
1 British Airways	8,539.08	11,749.08	+ 37.6
2 Lufthansa	6,573.34	7,157.27	+ 8.9
3 Iberia	6,204.14	6,824.24	+ 10.0
4 Air France	5,855.05	6,307.61	+ 7.7
5 SAS	4,580.79	5,157.88	+ 12.6
6 Alitalia	3,457.60	3,761.46	+ 8.8
7 Swissair	3,450.18	3,761.46	+ 8.8
8 Olympic Airways	2,675.58	2,816.95	+ 5.3
9 KLM	2,225.42	2,427.00	+ 9.0
10 THY	1,829.31	2,015.31	+ 10.2

Source: Association of European Airlines

The International Herald Tribune

expected his airline to merge with Lufthansa Airlines and Air France after 1992 to create the world's biggest carrier.

The idea drew incredulous reactions from some in the industry but — significantly — not all.

"We were not surprised by Mr. Andreu's comments because we

travel in Europe is the carnage left in the wake of a similar deregulation wave in the United States a decade ago. Eight major airlines now control 94 percent of the air-travel business in the United States after a decade of consolidation in which 214 air carriers disappeared from the market.

While airline deregulation in Europe might not bring about the same wrenching change, most analysts agree — and European airlines executives admit — that the end result would be the same.

Industry experts say that the factors exerting the most pressure on European airlines to consolidate are the severe congestion in Europe's air lanes and airports, the increasing importance of jointly owned computerized reservations systems and the progressive liberalization that the European Community has undertaken to lower the barriers for new competitors.

Cooperation is perhaps the most pressing problem. Europe's airports are jammed to capacity and the building of new ones — opposed by environmentalists — has nearly ground to a halt.

The result is that Europe's largest airports are effectively closed to new competitors. Look

See AIR, Page 14

**Tokyo Stocks
Plunge on Fears
Of Rate Rises**

By Patrick L. Smith
International Herald Tribune

TOKYO — Fears of further rises in Japanese interest rates, aroused by the surging dollar, swept Tokyo financial markets Thursday and prompted the largest one-day drop in stock prices this year.

A spreading view among investors and financial analysts that the exchange-rate policies of leading central banks are diverging — leaving the Bank of Japan virtually alone in efforts to halt the dollar's ascent — increased concern about higher Japanese rates and the negative effect they would have on economic activity.

The Nikkei average of 225 stocks dropped 489.90 points, or 1.5 percent, to end at 32,913.09. Stocks declined in all sectors, with few exceptions; volume was a moderate 650 million shares.

Demand for the dollar intensified, pushing the currency to its highest level in nearly two years.

The dollar ended at 151.30 yen in Tokyo, up 3.25 from the previous session and well above the closing Wednesday in London and New York, although in later trading Thursday it retreated below 150 yen.

Volume in the spot market was \$12.37 billion, up from \$9.44 billion on Wednesday.

Many institutional investors, now convinced that the strengthened dollar is not a passing phenomenon, fled the stock market or refrained from trading in the belief that the central bank will be forced to raise its official discount rate at least once in the near future, and possibly twice, if it is to keep the yen from dropping further against the dollar.

Because imports account for roughly 10 percent of Japan's wholesale price index, the central bank's primary concern since the

See TOKYO, Page 18

**Milken Quits Drexel
To Set Up a New Firm**

The Associated Press

NEW YORK — Michael R. Milken, the junk-bond executive indicted for fraud and racketeering in the largest securities-crime case in history, on Thursday quit the investment firm Drexel Burnham Lambert Inc. to set up his own company.

Mr. Milken, 42, is credited with almost single-handedly creating a \$175-billion-a-year market for the securities, which were widely used in the 1980s to finance mergers and corporate growth.

The government says that Mr. Milken used his powers through Drexel to engage in insider trading and other securities crimes, including schemes with now-jailed stock speculator Ivan F. Boesky.

The move formally severs Mr. Milken's ties with Drexel, which he helped transform from a second-tier investment house to the na-

tion's fifth largest during his 19 years there.

His brother, Lowell, a former Drexel junk-bond trader who was charged with fraud and racketeering, announced Thursday that he was quitting the firm to return to the practice of law.

As part of a civil settlement with the Securities and Exchange Commission, Drexel agreed to sever ties with Mr. Milken.

According to federal prosecutors, Mr. Milken made more than \$1 billion from 1983 to 1987, including \$550 million in 1987.

"Michael Milken made many important contributions to Drexel Burnham, and his resignation, although not unexpected, is a sad event," Drexel said in a statement. "We wish him well in his new endeavor."

His Los Angeles-based firm is named International Capital Access Group.

Currency Rates

Cross Rates	June 15
Amsterdam	2.207
Brussels	47.775
Frankfurt	2.492
London (1)	1.5183
Milan	47.525
New York (1)	1.0000
Paris	47.525
Tokyo	151.30
Zurich	1.5183
1 ECU	1.0000
1 SDR	1.2133

Closing in London. Tokyo and Zurich. Rates in other centers. New York closing rates.
a: Commercial; b: Bank; c: To buy one dollar; d: To buy one pound; e: Units of 100 M.G.; not quoted; f: 100; g: 100; h: 100; i: 100; j: 100; k: 100; l: 100; m: 100; n: 100; o: 100; p: 100; q: 100; r: 100; s: 100; t: 100; u: 100; v: 100; w: 100; x: 100; y: 100; z: 100; aa: 100; ab: 100; ac: 100; ad: 100; ae: 100; af: 100; ag: 100; ah: 100; ai: 100; aj: 100; ak: 100; al: 100; am: 100; an: 100; ao: 100; ap: 100; aq: 100; ar: 100; as: 100; at: 100; au: 100; av: 100; aw: 100; ax: 100; ay: 100; az: 100; ba: 100; bb: 100; bc: 100; bd: 100; be: 100; bf: 100; bg: 100; bh: 100; bi: 100; bj: 100; bk: 100; bl: 100; bm: 100; bn: 100; bo: 100; bp: 100; bq: 100; br: 100; bs: 100; bt: 100; bu: 100; bv: 100; bw: 100; bx: 100; by: 100; bz: 100; ca: 100; cb: 100; cc: 100; cd: 100; ce: 100; cf: 100; cg: 100; ch: 100; ci: 100; cj: 100; ck: 100; cl: 100; cm: 100; cn: 100; co: 100; cp: 100; cq: 100; cr: 100; cs: 100; ct: 100; cu: 100; cv: 100; cw: 100; cx: 100; cy: 100; cz: 100; da: 100; db: 100; dc: 100; dd: 100; de: 100; df: 100; dg: 100; dh: 100; di: 100; dj: 100; dk: 100; dl: 100; dm: 100; dn: 100; do: 100; dp: 100; dq: 100; dr: 100; ds: 100; dt: 100; du: 100; dv: 100; dw: 100; dx: 100; dy: 100; dz: 100; ea: 100; eb: 100; ec: 100; ed: 100; ee: 100; ef: 100; eg: 100; eh: 100; ei: 100; ej: 100; ek: 100; el: 100; em: 100; en: 100; eo: 100; ep: 100; eq: 100; er: 100; es: 100; et: 100; eu: 100; ev: 100; ew: 100; ex: 100; ey: 100; ez: 100; fa: 100; fb: 100; fc: 100; fd: 100; fe: 100; ff: 100; fg: 100; fh: 100; fi: 100; fj: 100; fk: 100; fl: 100; fm: 100; fn: 100; fo: 100; fp: 100; fq: 100; fr: 100; fs: 100; ft: 100; fu: 100; fv: 100; fw: 100; fx: 100; fy: 100; fz: 100; ga: 100; gb: 100; gc: 100; gd: 100; ge: 100; gf: 100; gg: 100; gh: 100; gi: 100; gj: 100; gk: 100; gl: 100; gm: 100; gn: 100; go: 100; gp: 100; gq: 100; gr: 100; gs: 100; gt: 100; gu: 100; gv: 100; gw: 100; gx: 100; gy: 100; gz: 100; ha: 100; hb: 100; hc: 100; hd: 100; he: 100; hf: 100; hg: 100; hh: 100; hi: 100; hj: 100; hk: 100; hl: 100; hm: 100; hn: 100; ho: 100; hp: 100; hq: 100; hr: 100; hs: 100; ht: 100; hu: 100; hv: 100; hw: 100; hx: 100; hy: 100; hz: 100; ia: 100; ib: 100; ic: 100; id: 100; ie: 100; if: 100; ig: 100; ih: 100; ii: 100; ij: 100; ik: 100; il: 100; im: 100; in: 100; io: 100; ip: 100; iq: 100; ir: 100; is: 100; it: 100; iu: 100; iv: 100; iw: 100; ix: 100; iy: 100; iz: 100; ja: 100; jb: 100; jc: 100; jd: 100; je: 100; jf: 100; jg: 100; jh: 100; ji: 100; jj: 100; jk: 100; jl: 100; jm: 100; jn: 100; jo: 100; jp: 100; jq: 100; jr: 100; js: 100; jt: 100; ju: 100; jv: 100; jw: 100; jx: 100; jy: 100; jz: 100; ka: 100; kb: 100; kc: 100; kd: 100; ke: 100; kf: 100; kg: 100; kh: 100; ki: 100; kj: 100; kk: 100; kl: 100; km: 100; kn: 100; ko: 100; kp: 100; kq: 100; kr: 100; ks: 100; kt: 100; ku: 100; kv: 100; kw: 100; kx: 100; ky: 100; kz: 100; la: 100; lb: 100; lc: 100; ld: 100; le: 100; lf: 100; lg: 100; lh: 100; li: 100; lj: 100; lk: 100; ll: 100; lm: 100; ln: 100; lo: 100; lp: 100; lq: 100; lr: 100; ls: 100; lt: 100; lu: 100; lv: 100; lw: 100; lx: 100; ly: 100; lz: 100; ma: 100; mb: 100; mc: 100; md: 100; me: 100; mf: 100; mg: 100; mh: 100; mi: 100; mj: 100; mk: 100; ml: 100; mm: 100; mn: 100; mo: 100; mp: 100; mq: 100; mr: 100; ms: 100; mt: 100; mu: 100; mv: 100; mw: 100; mx: 100; my: 100; mz: 100; na: 100; nb: 100; nc: 100; nd: 100; ne: 100; nf: 100; ng: 100; nh: 100; ni: 100; nj: 100; nk: 100; nl: 100; nm: 100; nn: 100; no: 100; np: 100; nq: 100; nr: 100; ns: 100; nt: 100; nu: 100; nv: 100; nw: 100; nx: 100; ny: 100; nz: 100; oa: 100; ob: 100; oc: 100; od: 100; oe: 100; of: 100; og: 100; oh: 100; oi: 100; oj: 100; ok: 100; ol: 100; om: 100; on: 100; oo: 100; op: 100; oq: 100; or: 100; os: 100; ot: 100; ou: 100; ov: 100; ow: 100; ox: 100; oy: 100; oz: 100; pa: 100; pb: 100; pc: 100; pd: 100; pe: 100; pf: 100; pg: 100; ph: 100; pi: 100; pj: 100; pk: 100; pl: 100; pm: 100; pn: 100; po: 100; pp: 100; pq: 100; pr: 100; ps: 100; pt: 100; pu: 100; pv: 100; pw: 100; px: 100; py: 100; pz: 100; qa: 100; qb: 100; qc: 100; qd: 100; qe: 100; qf: 100; qg: 100; qh: 100; qi: 100; qj: 100; qk: 100; ql: 100; qm: 100; qn: 100; qo: 100; qp: 100; qq: 100; qr: 100; qs: 100; qt: 100; qu: 100; qv: 100; qw: 100; qx: 100; qy: 100; qz: 100; ra: 100; rb: 100; rc: 100; rd: 100; re: 100; rf: 100; rg: 100; rh: 100; ri: 100; rj: 100; rk: 100; rl: 100; rm: 100; rn: 100; ro: 100; rp: 100; rq: 100; rr: 100; rs: 100; rt: 100; ru: 100; rv: 100; rw: 100; rx: 100; ry: 100; rz: 100; sa: 100; sb: 100; sc: 100; sd: 100; se: 100; sf: 100; sg: 100; sh: 100; si: 100; sj: 100; sk: 100; sl: 100; sm: 100; sn: 100; so: 100; sp: 100; sq: 100; sr: 100; ss: 100; st: 100; su: 100; sv: 100; sw: 100; sx: 100; sy: 100; sz: 100; ta: 100; tb: 100; tc: 100; td: 100; te: 100; tf: 100; tg: 100; th: 100; ti: 100; tj: 100; tk: 100; tl: 100; tm: 100; tn: 100; to: 100; tp: 100; tq: 100; tr: 100; ts: 100; tt: 100; tu: 100; tv: 100; tw: 100; tx: 100; ty: 100; tz: 100; ua: 100; ub: 100; uc: 100; ud: 100; ue: 100; uf: 100; ug: 100; uh: 100; ui: 100; uj: 100; uk: 100; ul: 100; um: 100; un: 100; uo: 100; up: 100; uq: 100; ur: 100; us: 100; ut: 100; uu: 100; uv: 100; uw: 100; ux: 100; uy: 100; uz: 100; va: 100; vb: 100; vc: 100; vd: 100; ve: 100; vf: 100; vg: 100; vh: 100; vi: 100; vj: 100; vk: 100; vl: 100; vm: 100; vn: 100; vo: 100; vp: 100; vq: 100; vr: 100; vs: 100; vt: 100; vu: 100; vv: 100; vw: 100; vx: 100; vy: 100; vz: 100; wa: 100; wb: 100; wc: 100; wd: 100; we: 100; wf: 100; wg: 100; wh: 100; wi: 100; wj: 100; wk: 100; wl: 100; wm: 100; wn: 100; wo: 100; wp: 100; wq: 100; wr: 100; ws: 100; wt: 100; wu: 100; wv: 100; ww: 100; wx: 100; wy: 100; wz: 100; xa: 100; xb: 100; xc: 100; xd: 100; xe: 100; xf: 100; xg: 100; xh: 100; xi: 100; xj: 100; xk: 100; xl: 100; xm: 100; xn: 100; xo: 100; xp: 100; xq: 100; xr: 100; xs: 100; xt: 100; xu: 100; xv: 100; xw: 100; xx: 100; xy: 100; xz: 100; ya: 100; yb: 100; yc: 100; yd: 100; ye: 100; yf: 100; yg: 100; yh: 100; yi: 100; yj: 100; yk: 100; yl: 100; ym: 100; yn: 100; yo: 100; yp: 100; yq: 100; yr: 100; ys: 100; yt: 100; yu: 100; yv: 100; yw: 100; yx: 100; yy: 100; yz: 100; za: 100; zb: 100; zc: 100; zd: 100; ze: 100; zf: 100; zg: 100; zh: 100; zi: 100; zj: 100; zk: 100; zl: 100; zm: 100; zn: 100; zo: 100; zp: 100; zq: 100; zr: 100; zs: 100; zt: 100; zu: 100; zv: 100; zw: 100; zx: 100; zy: 100; zz: 100;

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Thursday's AMEX Closing									
Tables include the nationwide prices up to the closing on Wall Street and do not reflect intra-trading elsewhere. Via The Associated Press									
12 Month	High	Low	Stock	Div	Yld	PE	High	Low	PAK
12	100	95	100	1.00	4.00	25.00	100	95	100
15	105	100	105	1.05	4.05	25.05	105	100	105
20	110	105	110	1.10	4.10	25.10	110	105	110
25	115	110	115	1.15	4.15	25.15	115	110	115
30	120	115	120	1.20	4.20	25.20	120	115	120
35	125	120	125	1.25	4.25	25.25	125	120	125
40	130	125	130	1.30	4.30	25.30	130	125	130
45	135	130	135	1.35	4.35	25.35	135	130	135
50	140	135	140	1.40	4.40	25.40	140	135	140
55	145	140	145	1.45	4.45	25.45	145	140	145
60	150	145	150	1.50	4.50	25.50	150	145	150
65	155	150	155	1.55	4.55	25.55	155	150	155
70	160	155	160	1.60	4.60	25.60	160	155	160
75	165	160	165	1.65	4.65	25.65	165	160	165
80	170	165	170	1.70	4.70	25.70	170	165	170
85	175	170	175	1.75	4.75	25.75	175	170	175
90	180	175	180	1.80	4.80	25.80	180	175	180
95	185	180	185	1.85	4.85	25.85	185	180	185
100	190	185	190	1.90	4.90	25.90	190	185	190
105	195	190	195	1.95	4.95	25.95	195	190	195
110	200	195	200	2.00	5.00	26.00	200	195	200
115	205	200	205	2.05	5.05	26.05	205	200	205
120	210	205	210	2.10	5.10	26.10	210	205	210
125	215	210	215	2.15	5.15	26.15	215	210	215
130	220	215	220	2.20	5.20	26.20	220	215	220
135	225	220	225	2.25	5.25	26.25	225	220	225
140	230	225	230	2.30	5.30	26.30	230	225	230
145	235	230	235	2.35	5.35	26.35	235	230	235
150	240	235	240	2.40	5.40	26.40	240	235	240
155	245	240	245	2.45	5.45	26.45	245	240	245
160	250	245	250	2.50	5.50	26.50	250	245	250
165	255	250	255	2.55	5.55	26.55	255	250	255
170	260	255	260	2.60	5.60	26.60	260	255	260
175	265	260	265	2.65	5.65	26.65	265	260	265
180	270	265	270	2.70	5.70	26.70	270	265	270
185	275	270	275	2.75	5.75	26.75	275	270	275
190	280	275	280	2.80	5.80	26.80	280	275	280
195	285	280	285	2.85	5.85	26.85	285	280	285
200	290	285	290	2.90	5.90	26.90	290	285	290
205	295	290	295	2.95	5.95	26.95	295	290	295
210	300	295	300	3.00	6.00	27.00	300	295	300
215	305	300	305	3.05	6.05	27.05	305	300	305
220	310	305	310	3.10	6.10	27.10	310	305	310
225	315	310	315	3.15	6.15	27.15	315	310	315
230	320	315	320	3.20	6.20	27.20	320	315	320
235	325	320	325	3.25	6.25	27.25	325	320	325
240	330	325	330	3.30	6.30	27.30	330	325	330
245	335	330	335	3.35	6.35	27.35	335	330	335
250	340	335	340	3.40	6.40	27.40	340	335	340
255	345	340	345	3.45	6.45	27.45	345	340	345
260	350	345	350	3.50	6.50	27.50	350	345	350
265	355	350	355	3.55	6.55	27.55	355	350	355
270	360	355	360	3.60	6.60	27.60	360	355	360
275	365	360	365	3.65	6.65	27.65	365	360	365
280	370	365	370	3.70	6.70	27.70	370	365	370
285	375	370	375	3.75	6.75	27.75	375	370	375
290	380	375	380	3.80	6.80	27.80	380	375	380
295	385	380	385	3.85	6.85	27.85	385	380	385
300	390	385	390	3.90	6.90	27.90	390	385	390
305	395	390	395	3.95	6.95	27.95	395	390	395
310	400	395	400	4.00	7.00	28.00	400	395	400
315	405	400	405	4.05	7.05	28.05	405	400	405
320	410	405	410	4.10	7.10	28.10	410	405	410
325	415	410	415	4.15	7.15	28.15	415	410	415
330	420	415	420	4.20	7.20	28.20	420	415	420
335	425	420	425	4.25	7.25	28.25	425	420	425
340	430	425	430	4.30	7.30	28.30	430	425	430
345	435	430	435	4.35	7.35	28.35	435	430	435
350	440	435	440	4.40	7.40	28.40	440	435	440
355	445	440	445	4.45	7.45	28.45	445	440	445
360	450	445	450	4.50	7.50	28.50	450	445	450
365	455	450	455	4.55	7.55	28.55	455	450	455
370	460	455	460	4.60	7.60	28.60	460	455	460
375	465	460	465	4.65	7.65	28.65	465	460	465
380	470	465	470	4.70	7.70	28.70	470	465	470
385	475	470	475	4.75	7.75	28.75	475	470	475
390	480	475	480	4.80	7.80	28.80	480	475	480
395	485	480	485	4.85	7.85	28.85	485	480	485
400	490	485	490	4.90	7.90	28.90	490	485	490
405	495	490	495	4.95	7.95	28.95	495	490	495
410	500	495	500	5.00	8.00	29.00	500	495	500
415	505	500	505	5.05	8.05	29.05	505	500	505
420	510	505	510	5.10	8.10	29.10	510	505	510
425	515	510	515	5.15	8.15	29.15	515	510	515
430	520	515	520	5.20	8.20	29.20	520	515	520
435	525	520	525	5.25	8.25	29.25	525	520	525
440	530	525	530	5.30	8.30	29.30	530	525	530
445	535	530	535	5.35	8.35	29.35	535	530	535
450	540	535	540	5.40	8.40	29.40	540	535	540
455	545	540	545	5.45	8.45	29.45	545	540	545
460	550	545	550	5.50	8.50	29.50	550	545	550
465	555	550	555	5.55	8.55	29.55	555	550	555
470	560	555	560	5.60	8.60	29.60	560	555	560
475	565	560	565	5.65	8.65	29.65	565	560	565
480	570	565	570	5.70	8.70	29.70	570	565	570
485	575	570	575	5.75	8.75	29.75	575	570	575
490	580	575	580	5.80	8.80	29.80	580	575	580
495	585	580	585	5.85	8.85	29.85	585	580	585
500	590	585	590	5.90	8.90	29.90	590	585	590
505	595	590	595	5.95	8.95	29.95	595	590	595
510	600	595	600	6.00	9.00	30.00	600	595	600
515	605	600	605	6.05	9.05	30.05	605	600	605
520	610	605	610	6.10	9.10	30.10	610	605	610
525	615	610	615	6.15	9.15	30.15	615	610	615
530	620	615	620	6.20	9.20	30.20	620	615	620
535	625	620	625	6.25	9.25	30.25	625	620	625
540	630	625	630	6.30	9.30	30.30	630	625	630
545	635	630	635	6.35	9.35	30.35	635	630	635
550	640	635	640	6.40	9.40	30.40	640	635	640
555	645	640	645	6.45	9.45	30.45	645	640	645
560	650	645	650	6.50	9.50	30.50	650	645	650
565	655	650	655	6.55	9.55	30.55	655	650	655
570	660	655	660	6.60	9.60	30.60	660	655	660
575	665	660	665	6.65	9.65	30.65	665	660	665
580	670	665	670	6.70	9.70	30.70	670	665	670
585	675	670	675	6.75	9.75	30.75	675	670	675
590	680	675	680	6.80	9.80	30.80	680	675	680
595	685	680	685	6.85	9.85	30.85	685	680	685
600	690	685	690	6.90	9.90	30.90	690	685	690
605	695	690	695	6.95	9.95	30.95	695	690	695
610	700	695	700	7.00	10.00	31.00	700	695	700
615	705	700	705	7.05	10.05	31.05	705	700	705
620	710	705	710	7.10	10.10	31.10	710	705	710
625	715	710	715	7.15	10.15	31.15	715	710	715
630	720	715	720	7.20	10.20	31.20	720	715	720
635	725	720	725	7.25	10.25	31.25	725	720	725
640	730	725	730	7.30	10.30	31.30	730	725	730
645	735	730	735	7.35	10.35	31.35	735	730	735
650	740	735	740	7.40	10.40	31.40	740	735	740
655	745	740	745	7.45	10.45	31.45	745	740	745
660	750	745	750	7.50	10.50	31.50	750	745	750
665	755	750	755	7.55	10.55	31.55	755	750	755
670	760	755	760	7.60	10.60	31.60	760	755	760
675	765	760	765	7.65	10.65	31.65	765	760	765
680	770	765	770	7.70	10.70	31.70	770	765	770
685	775	770	775	7.75	10.75	31.75	775	770	775
690	780	775	780	7.80	10.80				

FINANCIAL MARKETS

Dollar Off Sharply in Profit-Taking

Reuters
NEW YORK — The dollar closed sharply lower on Thursday, after reaching two-and-a-half-year highs in European trading before succumbing to profit-taking.

Dealers said intervention by the U.S. Federal Reserve had added pressure on the dollar. They said the Fed had sold dollars at 149.30 and 149.35 yen and at 2.0230 Deutsche marks.

Dealers in New York said the decline of the dollar was hastened by comments from Japanese officials that the Bank of Japan would continue to intervene to defend the yen.

The U.S. Commerce Department announced a trade deficit for April of \$8.26 billion, the lowest level in nine months, pushing the dollar higher in London. But an upward revision in the March deficit to \$9.54 billion from \$8.86 billion, left dealers unwilling to force the dollar up further.

London Dollar Rates

Cables	Thu.	Fri.
Deutsche mark	2.0230	2.0230
Swiss franc	1.7510	1.7510
Japanese yen	149.30	149.30
French franc	6.5535	6.5535
Source: Reuters		

The heavy profit-taking surfaced in Europe's late afternoon trading and pushed the dollar lower. Earlier, in Asia's trading day, the Bank of Japan had also sold the U.S. currency.

In New York, the dollar fell to 1.9850 DM from 2.0340 at the close Wednesday, to 145.80 yen from 149.45; to 1.7105 Swiss francs from 1.7545; and to 6.7365 French francs from 6.8920.

The British pound rose to \$1.5455 from \$1.5115.

The dollar closed in London at 2.0235 DM, down from the Wednesday close of 2.0300. The dollar had peaked at 2.0480 DM.

The U.S. currency closed at 149.45 yen, up slightly from 149.05 at the previous close. It had touched 151.80 yen in the early rally.

The dollar peaked was the highest against the mark since November 1986 and against the yen since August 1987.

The pound picked up in the afternoon after Bank of England intervention. It closed at \$1.5183, up from \$1.5148. At the height of the day's dollar rally, it touched \$1.4935, its lowest level since January 1987, dealers said.

The dollar closed at 1.7510 Swiss francs, down from 1.7525, and at 6.8625 French francs, down from 6.8763.

Some market observers said the afternoon dollar decline had a lot to do with a drop in U.S. bond prices after the trade figures and stronger than expected U.S. industrial production and capacity utilization figures.

U.S. Reports Slowdown In Economy

The Associated Press
WASHINGTON — The operating rate for U.S. factories dropped in May to 83.8 percent amid signs the economy has continued to slow in recent months, the government said Thursday.

The Federal Reserve said the May operating rate was 0.3 percent below April's 84.1 percent and matched the rate in March. The rate increased in April for the first time since it hit a 10-year high of 84.3 percent last December.

"The operating rates for manufacturing and for utilities both declined in May," the Fed said. "Most manufacturing industries showed some decrease in utilization in May, continuing the easing that started at the beginning of the year."

Economists had worried that the steady upward march of operating rates last year signaled increased inflationary pressures. The closer that U.S. industry gets to full capacity, the greater difficulty it has producing enough to meet demand, leading to shortages and price increases.

Until recently, the Fed had been pushing up interest rates in an attempt to cool those inflationary pressures without slowing growth so much that the economy fell into a recession.

In another report Thursday, the Federal Reserve said the pace of industrial production was unchanged in May after a 0.6 percent hike in April. Production had edged up 0.1 percent in March after falling 0.2 percent in February, the first decline in a year.

The Fed's industrial production index stood at 141.4 percent of its 1977 base, 3.9 percent higher than a year ago and the same as last month's index. Last month's operating rate of 83.8 percent was up from 82.9 percent a year earlier.

The operating rate fell 0.3 percent to 84.0 percent at manufacturing plants, returning to the March operating level. Prior to April, the rate had declined since it peaked at 84.7 in January.

Analysts generally consider an operating rate of 85 percent or above as an indication of inflationary pressure.

The rate at factories producing durable goods, which are items expected to last more than three years, fell from 82.8 percent in April to 82.5 percent in May, reflecting decreases in most categories.

The rate at factories producing nondurable goods edged down from 86.3 percent to 86.0 percent last month.

TOKYO: Stocks Drop on Fears of Interest Rate Rises

(Continued from first finance page)
dollar began to rise dramatically last month has been to avoid a substantial increase in "imported" inflation.

The Bank of Japan raised the discount rate, which is the interest it charges on loans to commercial banks, by three-quarters of 1 per-

cent last month, the first upward move in nearly a decade. Analysts believe it will have to boost the rate from its current 3.25 percent by at least half a point in coming weeks.

Last week, UBS/Phillips & Drew International Ltd. predicted a rise in the discount rate to 4.5

percent over the next few months. The London-based brokerage also revised upward its 1989 forecast for Japanese price inflation in Japan, to 3.25 percent.

The Bank of Japan is believed to have sold roughly \$2 billion in Tokyo and other currency markets on Thursday, including some \$400 million worth of transactions in Singapore and Australia. Finance Minister Tatsuji Murayama, along with central bank officials, pledged further strong intervention in support of the yen.

Since last week monetary authorities have also asked banks to reduce lending to some sectors of the economy, monitored dollar purchases among institutional investors and requested brokers to cut down efforts to market dollar-denominated mutual funds among Japanese individuals.

But the financial markets appear to have concluded that in all of these measures Japan is acting essentially on its own. European central banks have "thrown in the towel" on the dollar, a foreign economist said, while the U.S. authorities have adopted a policy of "benign neglect," believing the dollar will fall on its own.

"The Bank of Japan is ready to strengthen cooperative intervention with other nations, while they are not adopting a strong posture," Nihon Keizai Shimbun, the leading financial daily, said in a front-page commentary published Thursday. "It is said in the market that the high dollar won't abate unless a new framework for international cooperation is established."

TRADE: 9-Month Low in Deficit

(Continued from page 1)
the bill for foreign oil jumped 9.9 percent to \$4.05 billion. The average price of a barrel of oil shot up 11.6 percent to \$17.83 in April, the fifth consecutive monthly increase.

Exports, meanwhile, hit a record \$30.57 billion in April as foreign sales of U.S. industrial supplies, manufactured capital goods and consumer goods all increased.

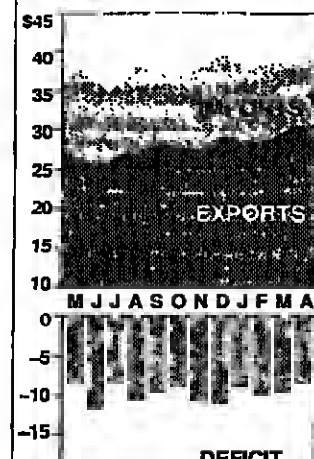
As usual, the United States posted its largest trade deficit in April with Japan, but the \$3.89 billion deficit was much narrower than the \$4.22 billion reported for March.

Other large deficits were with Taiwan, \$840 million; South Korea, \$545 million; Canada, \$477 million; and Brazil, \$365 million.

The trade picture was helped by a second consecutive surplus with Western Europe.

On Tuesday, the government reported that a broader measure of U.S. trade worsened dramatically in the first three months of the year. The Commerce Department said the deficit to the current account was 7 percent larger than to the final three months of 1988. The current account deficit reflected

U.S. Balance of Trade



Source: Commerce Department

improvement to merchandise trade but a widening of the deficit to the services category.

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Thursday's NASDAQ Prices

Prices as of 4 p.m. New York time.
The list compiled by the AP consists of the 100 most traded securities in terms of dollar value.
It is updated twice a year.
Via The Associated Press

12 Month High Low Stock Div Yld PE Ratio

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France's Robust Economy

Strong Growth Shows In Company Profits

Patient Post-Oil Shock Restructuring Brings Best Results Since Early 1970s

By Madlyn Resener

PARIS — When French companies released figures for their 1988 profits this spring, it was an occasion for uncorking magnum of champagne. Not since the early 1970s have France's major corporations performed so brilliantly.

On average, profits for a sampling of companies quoted on the Paris Bourse rose 21 percent over 1987. At the head of the list was Peugeot, with 8.8 billion francs (\$1.46 billion) in net profits, an increase of nearly 80 percent. The other top two performers were Elf-Aquitaine, whose net profits rose 67 percent to 8.15 billion francs, and Saint-Gobain, with net profits of 5.06 billion francs, an increase of 39 percent.

The explosion of profits owes a lot to the favorable economic conjuncture that France is currently enjoying. Economic growth last year was a robust 3.5 percent, industrial investment grew at an impressive 9 percent, exports rose a moderate 6.5 percent, unit labor costs stabilized and consumer spending remained strong. With low inflation and declining oil prices, France's companies were well positioned to take advantage of expanding markets throughout Europe.

But the brilliant results are also the long-awaited payoff of years of patient restructuring of the French economy that followed the oil shocks of the early 1970s. French companies lagged behind their European counterparts in adjusting to the new world introduced by higher energy prices. As a result, profits plunged to their lowest point in 1982. But by the mid-1980s, French managers had begun closing unproductive factories, reducing workforces, regrouping production units for economies of scale and buying up companies with complementary activities.

"All of this resulted in strong growth in productivity. In the industrial sector, on average, productivity rose 6 percent last year, three times the growth rate of a few years ago. Since the French economy is growing at a brisk pace, companies are making full use of newly efficient production sites.

"French companies have finally mastered their production costs," says Martine Aubert, an economist at the Crédit Commercial de France. Now that improved productivity has

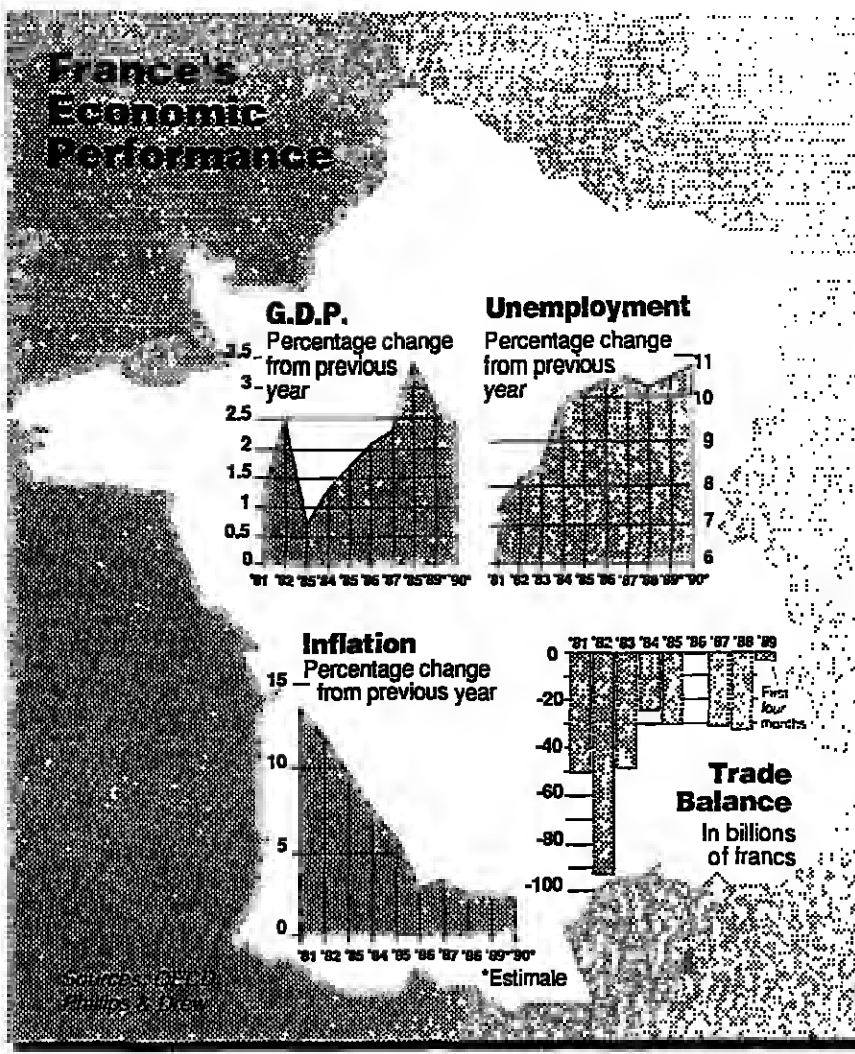
sharpened their competitive edge with British, West German and other European companies, the French have begun aggressively seeking new market share in neighboring European countries.

"French companies have finished their restructuring, and with the economy strong, this has resulted in gains in productivity," notes Claude Rivaud, a senior analyst at Société Générale. Productivity at Peugeot, for example, rose 9 percent last year. Along with the introduction of several new popular models, this new efficiency allowed Peugeot to increase its share of the European automobile market, from 12 percent last year to 12.9 percent.

France's industrial sectors, such as the chemical, cement and automobile industries, which are more vulnerable to cyclical turns in the economy, did particularly well last year. Elf-Aquitaine owes its strong showing to healthy sales in its chemical and pharmaceutical divisions, as well as improved profit margins in its refining activities. Boosted by a strong European auto market, Peugeot benefited as well from moderate price increases for its models. Strong sales and higher prices also explain the successes of companies such as Lafarge-Coppée and Rhône-Poulenc.

Giving a big boost to the French corpora-

Continued on page 20



Franc Gains Market Credibility as 'Hard' Currency

By Brian Martin

LONDON — French official efforts to persuade markets that the franc is now a "hard" currency are beginning to pay dividends. The franc has not been realigned against the Deutsche mark within the European Monetary System since Jan. 12, 1987, when there was a general reordering of parities.

A new halving of the interest rate gap between France and West Germany since December has not prevented a steady franc recovery from near the bottom of its fluctuation

band against the Deutsche mark within the EMS toward the midpoint range.

That resilience is testament to a sea-change in market perceptions of French economic fundamentals. Many observers believe the improving trend in French inflation and the trade balance will allow the franc to be realigned alongside the Deutsche mark in an alignment of the EMS as French ministers have repeatedly stated is their intention. It will probably also mean a further reduction of the differential between French and German bond and money market yields.

A good illustration of the franc's emergence as a hard currency came with March's removal of the last of the foreign exchange controls

governing businesses. Previously, foreign exchange liberalization had been greeted with nervousness over the franc as dealers speculated the French unit would prove harder to defend if ever it should come under pressure. But the March confirmation that companies holding francs in France could lend them freely abroad was greeted by a modest franc rally against the mark as traders reflected on French officials' increased confidence in adopting market reforms.

The one remaining exchange control — that preventing individuals from holding a foreign bank account or a foreign currency account in France — is scheduled to be removed by June

next year in line with European Community currency liberalization agreements.

The foreign exchange market's current focus on the relative political stability of nations has revealed a favorable situation in France and a cloudier outlook in West Germany. West Germany faces a general election next year, if not earlier, and, by abolishing a new withholding tax just six months after its introduction, has shown itself unpredictable in economic policy matters.

Prime Minister Michel Rocard's government has proved much more assured, enduring a recent wave of public sector strikes without

Continued on page 21

Trade, Jobless Rate Mar 6-Year Recovery

Government Manages to Score Success In Its Efforts to Control Inflation

By Reginald Dale

PARIS — As they approach their revolutionary bicentennial next month, the French can look back on a steady six-year economic recovery, which has quickened pace over the past two years.

But, say international analysts and officials, the recovery will not be complete by the time the big parade rolls down the Champs Elysees on July 14. Nor has it been achieved by the exercise of any particularly revolutionary techniques.

Since President François Mitterrand dramatically abandoned doctrinaire socialism in 1983, French governments of both right and left have pursued middle-of-the-road, market-oriented economic policies that differ little from those of most of the country's West European neighbors. And the Socialist government that took office just over a year ago shows no sign of changing tack.

Like most industrial countries, France recorded unexpectedly strong growth last year, likely to be put at between 3.5 and 3.75 percent when final figures come in later this month. That was the best result in 12 years, and the momentum is continuing.

"With the current state of both internal and external demand good for French growth, the

economy will not slow down until next year," when growth is expected to slacken worldwide, said J. Paul Horne, Smith Barney's Paris-based international economist.

Most notably, thanks to wage restraint and tough fiscal and exchange rate policies, France has squeezed inflation out of its system more successfully than the majority of its trading partners.

"Having peaked at 13.6 percent in 1980, the rise in the consumer price index then decelerated steadily to around 2.75 percent in the last three years," noted the Organization for Economic Cooperation and Development earlier this year, in its latest report on the French economy.

The decision to link the franc to the Deutsche mark in the European Monetary System, one of the key elements of the government's economic policy, "helped to increase the effectiveness of anti-inflationary policy by reducing inflationary expectations and limiting imported inflation," the OECD said.

"Although this decision may sometimes have resulted in interest rates being higher than might have been desirable from the point of view of domestic activity," the organization added, "it is difficult to see how any other policy could be more successful in imposing monetary discipline and hence in promoting disinflation."

"The French," said Christopher Potts, economist for the money and capital markets department at Banque Indosuez in Paris, "have been lucky in that one of the keystones of their policy in recent years has been a very tight wages policy, which has kept consumer spending very moderate and not exacerbated inflationary pressures."

As a result, he said, "France has been in the very enviable position of being able to benefit from the upswing in world trade, and the knock-on effect on investment." The result has been export-led growth, a high rate of new investment and strong growth in corporate profits.

French profit margins last year finally recovered their high levels of the early 1970s, and productive investment jumped by 25 percent

Continued on page 22

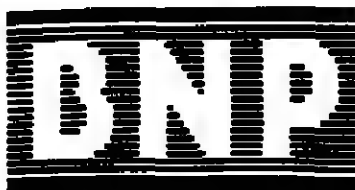


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1988 AND 1989 IN PERSPECTIVE

The Annual Shareholders' Meeting held on May 31, 1989 under the chairmanship of Jérôme Seydoux approved the accounts for the 1988 fiscal year and decided to distribute a dividend of 21 French francs per share, tax credit included (compared with 18 French francs in 1987) scheduled for payment on June 26.

1988 was a year of major changes for Chargeurs S.A., which became the leading world group in wool trading, combing and weaving as a result of the companies taken over from Prouvost S.A. in May 1988, the acquisition of the Hart Group in early 1989, the interest acquired in Drummond (U.K.) which will ultimately amount to 20% and the takeover of the German company Imen und Richter.

Spontex was sold to Hutchinson associated with institutional investors on May 16, 1989 for 1.3 billion French francs, the capital gain after tax amounting to approximately 700 million French francs.

During the first four months of 1989, the companies of Chargeurs S.A. operated in a favourable situation. The 1989 results will be affected by the following particular events:

- the purchase by UTA of a second-hand 747 200 C to cater for developing traffic;
- the UTA pilots' strike in April which cost approximately 80 million French francs;
- the cost of the particularly intensive program for training air crews both at UTA and Aëromaritime;
- the cost of restructuring in the textile division, amounting to approximately 100 million French francs;
- the effects of the rising dollar: for 1989, the rise in the dollar should be favourable;
- the capital gain on Spontex.

The development of the aviation sector and the recovery of the textile division remain the main goals of Chargeurs S.A. UTA and Aëromaritime are committed to a large program of aircraft orders over several years (15 firm orders and 19 options) to modernize their fleets and keep pace with the development plan of the airlines. The Textiles Division which is being gradually reorganized will again show a deficit for 1989.

The results of this division, with a turnover of 3 billion French francs, should rapidly improve after 1990.

CHARGEURS S.A.

Climate Improves for the Entrepreneur

By Barry James

PARIS — Until a few years ago, an aspiring entrepreneur in France was likely to find it more prestigious to hand over a business card describing himself as a manager of a big company or state enterprise, than managing director of a small business, however successful.

But the climate is changing, according to Philippe Demaegdt, president of the National Agency for Business Creation, or ANCE, and today would be French tycoons are increasingly interested in running their own business rather than somebody else's.

Last year was a record, with 279,000 new businesses registered, 4,500 more than the previous year and almost twice as many as when the agency was formed 10 years ago. A recent survey indicates that more than five million French men and women would like to start their own business.

So successful has it been in its purpose of popularizing small business that the state-sponsored agency has, in one sense, almost worked itself out of a job. It is

about to adopt a new name — probably the National Agency for Economic Development — to reflect the functions it is now assuming.

First, Mr. Demaegdt said, the agency is seeking ways to ensure the survival as well as the creation of new enterprises. At present, 30 percent of new businesses collapse within two years, and one out of two fail to make it to five years.

"Creation is good, succeeding is better and developing is even better," Mr. Demaegdt said, calling the rate of failure unacceptable.

Secondly, he said, the agency is studying how to ensure that small- and medium-sized companies can stay in business when their owners die or retire.

There is no legal definition of a small or medium business in France, but in effect the agency is concerned with everything from one-man bands to fairly large organizations with up to 2,000 employees. It is these larger enterprises that the agency is most eager to foster. "Compared with West Germany and Japan," he said, "we lack companies of a certain size, with perhaps a relatively small range of products but which



Philippe Demaegdt

have a specific technological competence and an international client list."

Mr. Demaegdt said that the agency has succeeded in changing cultural attitudes in France and making small business both respectable and desirable, something that was not the case 10 years ago.

French small businesses are likely to face increasing competition in the European single market after 1992. Mr. Demaegdt said a lot of small businesses are being put up for sale, partly because their owners believe they do not have the financial or human resources to compete successfully in the single market, and partly because established businesses are fetching a good price.

"We are developing a strategy to help small and medium enterprises find complementary partners in other countries, so that they can develop cooperative networks on a contractual basis rather than being at risk from mergers and takeovers," he said.

Although the situation of small and medium enterprises has clearly improved in the past decade, Mr. Demaegdt, himself a successful entrepreneur before taking the helm of the agency last year, said that much remains to be done in cutting through red tape.

"Politicians have always spoken of the importance of small and medium enterprises, but more for electoral reasons than anything else — because they offer more votes than the directors of large companies," he said.

Nevertheless, it has never been easier to create a new business in France. In theory, at least, the process of setting up a company can take as little as five days.

Pierre Battini, co-author of a recent book on venture capital, said that in contrast to West Germany, Japan or the United States, big businesses in France tend to overlook ways in which innovative smaller companies can help them.

"In France, there is not a great deal of competition among big groups," he said. "They dominate their markets and there is not the same incentive to go looking outside. Here, the small and medium enterprise inhabits a world apart."

In the United States, the big company is the client of the small."

In addition, Mr. Battini said, government organizations and agencies in France, in contrast to the United States, have no legal obligation to consider small and medium businesses when granting research or supply contracts.

Another impediment for new businesses is the relative difficulty of raising start-up and development capital. Members of the French Association of Venture Risk Investors, of which Mr. Battini is president, backed only 120 companies last year, out of the 450

they have supported so far. Mr. Battini said their main function is to seek out companies they expect will be leaders in their field.

This means that most new companies in France are financed by bank debt rather than infusions of capital. Mr. Demaegdt said that investors tend to be too impatient for a return and that many of the investment companies are subsidiaries of large banks, meaning that in the long run the banks' conservative criteria tend to prevail.

After January 1, 1990, restrictions on currency movements in the European Community are scheduled to be lifted, so that small businesses will have the opportunity to attract investment from a much wider area. Investors in France, however, will have the freedom to place their capital abroad.

A weakness of the small business sector in France, Mr. Demaegdt said, is that it is heavily oriented toward services and commerce. Only 8.9 percent of the businesses created last year were involved in industrial production.

Mr. Demaegdt said France has a dearth of market leaders in the small and medium business sector.

In time, the small and medium business sector is likely to become increasingly harmonized with that in the rest of the EC. The European Commission, the EC's executive body in Brussels, earlier this year created a directorate general to look after the interests of the sector. It is producing a raft of recommendations aimed at making it easier for small businesses to participate in big government and community projects.

Barry James is on the staff of the International Herald Tribune.



Peugeot's profits in 1988 rose to 8.8 billion francs, an increase of nearly 80 percent.

Company Profits Soar

Continued from page 19

figure, however, is inflated by several large deals, including Pechiney's purchase of American National Can for 22 billion francs.

During the next year, Mr. Jollant expects to see a greater number of small and medium size mergers and acquisitions in Europe, particularly among companies not yet quoted on the stock exchange for whom such deals represent the only way of gaining new business.

"The European market represents the national market for many French companies now," he says. "It's not the 1992 deadline that is pushing them; it's the logic of their development and the conditions of their survival."

But France's giant companies are also looking for deals. Among those on a buying spree are Saint-Gobain, which bought a packing company in West Germany and raised to 100 percent its participation in a U.S. subsidiary specializing in building insulation, and Elf-

world economies. At DLP James Capel, a sampling of 258 companies representing 90 percent of the Bourse's capitalization, showed an average earnings per share in 1988 of 20 percent, according to Mr. Jollant. For 1990, he is predicting 17 percent. However, he remains optimistic that companies will continue to post healthy profits next year because they have acquired an industrial flexibility that allows them to adjust quickly to changes in demand.

"Even if the economy slows down, we'll see increases of 12 to 13 percent," he says. Business investment should stay strong at 7 percent this year and 6 percent in 1990, he predicts.

Ms. Aubert notes that "the higher the level of profits, the harder it will be to surpass it next year." She says 1989 will be a good year but a more difficult one "because we will have a slight slowing down of the economy."

Among the uncertainties clouding the outlook are the possible

With reduced indebtedness, French companies now have the leeway to focus on external growth and possible national and cross-border acquisitions.

Aquitaine, which is currently attempting a takeover of Penwalt, an American chemical firm. "External growth and takeovers are the two new axes of development for French companies," says Mr. Rivaud.

As a result of the higher than expected profits for 1988, economists and analysts are scrambling to revise upward their predictions for this year's results. But most see profits growing at a more modest rate because of softening of the

hike in oil prices, a volatile dollar and question marks surrounding interest rates, world inflation and U.S. policies to reduce the budget and trade deficits.

But firmly anchored in the unified European market, French companies should be able to weather any downturns in their own economy, she points out.

MADLYN RESENER is a Paris-based journalist.

Market Forecast Is Positive

By Jacques Neher

PARIS — Pushed by a surge in business investment, the Paris Bourse this spring has risen above its pre-crash high, and market watchers say it is likely to capture new ground in the months ahead.

"I'm quite bullish," said Ian Furnival, a French-market analyst with UBS/Phillips & Drew in London. "There's still plenty more to grow over the next six months."

In late May, the Bourse's SFB general index of 240 stocks soared past its previous high of 460 — reached in the spring of 1987 — settling in the high 470s. The market has made a remarkable recovery since it plummeted after the October 1987 crash, dropping to 281 by the end of that year. Since the beginning of 1988, the market has gained 70 percent; since the start of this year, investors playing the Paris index stocks would have gained 15 percent.

By contrast, in the same 17-month period, Wall Street and London rose 28 percent; Milan, 25 percent; Madrid, 37 percent;

Frankfurt, 38 percent; Zurich, 42 percent, and Tokyo, 59 percent.

"France is still one of the best markets in Europe for the future," Mr. Furnival said, noting that the average price-earnings ratio is around 13, not much different from other European markets.

"I see France outperforming the German and North European markets, so there is room for the PE to go to 14.5 or 15," he said.

The 4250 companies quoted on the Bourse's Reglement Mensuel, Contant (Cash) and Second Marché at the end of 1988 carried a combined market capitalization of 1,537 trillion francs (\$257 billion), a jump of 58.9 percent over the end of 1987. At the end of April, the market capitalization had grown to 1,561 trillion francs.

"Over the long term, we can see the market going well over the 500 level, but it's a question of timing," said Jerome Labin, an analyst with Paris broker Jean-Pierre Pionchon. He said a decline in interest rates or an increase in French economic growth could provide new fuel for the market's growth.

A trader with Ferri-Ferri-

Germe, a Paris broker, said another factor that could help the bourse will be the unusually large amount of cash available to investors this summer. Some 30 billion to 35 billion francs in dividends is expected to be paid out to shareholders between June 15 and July 30. That cash will be added to an estimated 500 billion francs investors have shelved in short-term cash instruments — which, he said, is more than ever before.

While upbeat, analysts say the course of the dollar remains a wild card that could upset predictions.

The bourse proved volatile during the dollar's climb in May, as investors tried to second-guess the effect on German interest rates and the ultimate effect on French rates.

"From a fundamental viewpoint, the mark and the dollar are overvalued, and the yen is undervalued," said Suzanne Hardy, an analyst with DLP/James Capel in Paris. "At some point, these relationships have to be reshaped."

JACQUES NEHER is a Paris-based journalist.

Capitals Vie for EC Dominance

By Adrienne Margolis

PARIS — As the European Community accelerates the pace at which barriers to the trade in goods and services are dismantled ahead of the formation of the single market in 1992, member states are competing to persuade the outside world that their capital cities will be the major financial center in the EC, second only to London with its long-held status as a major international financial city.

Amsterdam, Dublin, Frankfurt, Madrid and Paris are all claiming to be well-placed to become the financial center for the single market. They are lobbying both member states and the international community to set up operations on their patch, to be best placed to take advantage of the more competitive business climate envisaged in the EC once the single market rules are in place.

"Up to the mid-1980s, France was not considered an attractive location for international investment," a partner at the Paris office of accountants and consultants KPMG Peat Marwick McLintock commented. "The financial world was nervous about the possible im-



La Défense has become home to several financial conglomerates.

"The last two years have seen a significant shift both in government policy and in the potential for Paris to become a major financial center."

part of the Socialist government's program on their operations. International companies also considered the exchange control rules a restriction, as was government policy on the taxation of investments."

But financial consultants in Paris agree that the climate has changed and that the international financial world is taking greater interest in using the city as a base for EC operations.

"The last two years have seen a significant shift both in government policy and in the potential for Paris to become a major financial center," said Mike Geary of Coopers & Lybrand's Paris office. In common with the accountants and consultants at Pests, Mr. Geary noted growing interest from Japanese and U.S. financial concerns in setting up operations in the capital, in addition to inquiries from EC member states.

While the single market program takes shape, the financial world is also seeing changes on a global scale that point to the barriers between different types of financial service companies dissolving. Banks, insurance

companies and other financial institutions are increasingly permitted by their home authorities to offer a wider range of services to clients, vices, considering this sector a key source of growth and profitability for the future.

Analysts throughout Europe and beyond stress the importance of an efficient distribution network for companies to be able to compete successfully in this new climate. Most concede that Paris is well placed to act as a center for such a network, both in terms of its location and the ease with which other centers in the EC can be reached, and in terms of the necessary infrastructure to enable major international companies to set up and run sophisticated operations from the capital.

"Paris is geographically well placed in the EC, and the facilities on offer here are good," one analyst said. "Outside investors may have been deterred in the past by considering France to be a high tax area for international investment. But that impression, not wholly accurate, is now changing, and the authorities here are showing they are less bureaucratic than in the past."

"Paris could be the largest financial center in the EC after London," this analyst predicted, "now that it is much easier to form a company here, and now that the government has indicated its determination to liberalize the financial market."

One company that has already decided to make Paris its headquarters for Europe is the U.S. insurance company American International Group.

Major companies already in the sector are

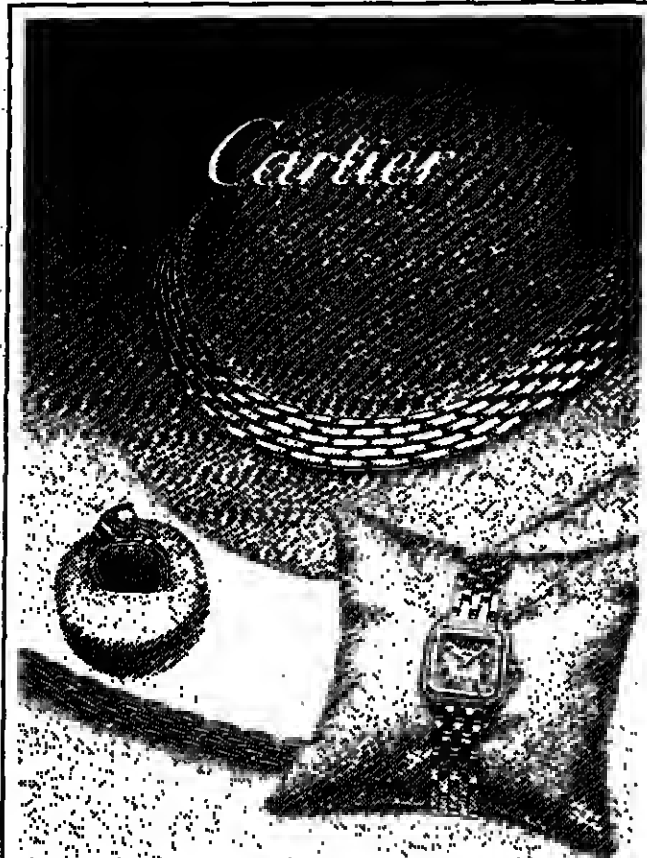
preparing for this change through merger and acquisition, to be well placed to offer a comprehensive range of services as these barriers dissolve. Companies outside the financial world are also diversifying into financial services.

"Brussels is considered a center for the operation of information coming out of the European Commission. We cannot see it developing beyond that function into a major financial center," AIG executives said, "but envisage it increasingly taking a role in the EC like Washington, D.C., has in the U.S."

This U.S. group's decision to choose Paris for the formation of its European insurance company, UNAT, was based on the signs of the capital's influence on the world's financial scene. "Paris has good communications, and is home to the Organization for Economic Cooperation and Development, of UNESCO and of the European Insurance Committee," Peugeot Westerner, UNAT's executive vice president, said.

From its headquarters in La Défense, the Paris center for many major domestic and foreign financial conglomerates, AIG now sees other international companies setting up operations. While this may vindicate its decision to locate in Paris, the competition between Europe's capitals to become the EC's major financial base is in its early stages. The battle could well become fiercer before a victory is certain.

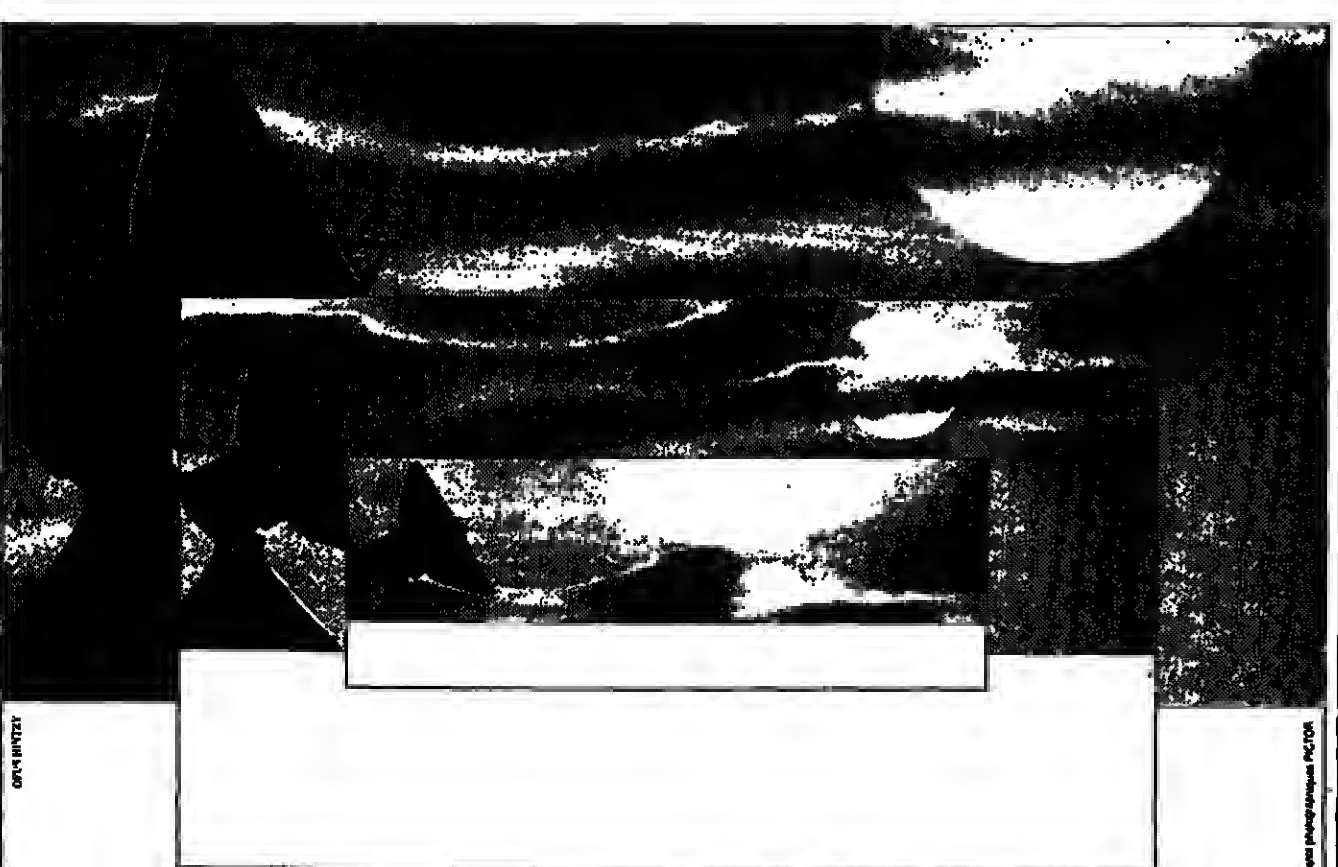
ADRIENNE MARGOLIS, a journalist based in London, specializes in economic and financial affairs.



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CAISSE NATIONALE DES TELECOMMUNICATIONS

Tourism No Longer Taken for Granted

By Susan Sachs

PARIS — The people who depend on tourism in France used to take it for granted that business would grow, slowly but steadily, every year. "The attitude was that France was the best and most beautiful, so why bother to do anything special," said Jean-Philippe Perol, marketing director for Maison de la France, the government's tourism promotion agency. But when a rash of terrorist bombings scared away big-spending American tourists in 1986, the French were jolted out of complacency.

This year, as foreign visitors again arrive in record numbers, the French tourism industry is undergoing a renaissance. At home, a wave of mergers has created travel companies that rank among the world's largest. Abroad, spending by the government and private sector on advertising has more than tripled in the space of one year.

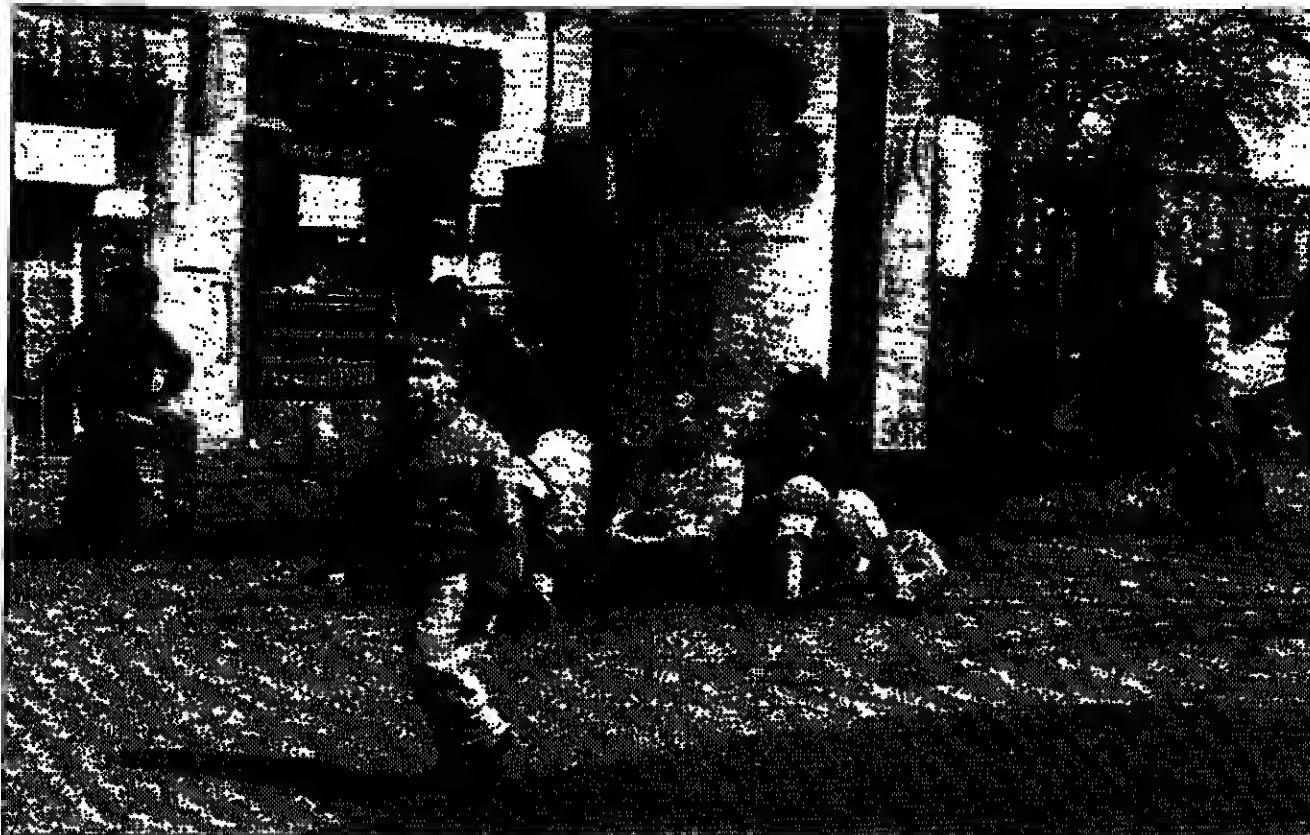
"Tourism in France used to be considered a marginal activity, something on the fringe," said Tourism Minister Olivier Stirn. "Now it's being taken seriously inside and outside the government. People are beginning to understand that it is a major growth industry."

Mr. Stirn's cabinet-level post is one example of the changing attitude. Until last August, the industry was represented only by a junior minister, or secretary of state. The extra prestige and political clout, Mr. Stirn said, reflect a new awareness of tourism's economic importance. According to the government, it produces more revenue than agriculture, employs more than 600,000 people and has grown faster than the gross national product.

French vacationers still generate most of the business. Only 15 percent spend their holidays outside the country. The rest travel to the sea, the mountains and to second homes in the country, where they spent \$50 billion last year. After a precipitous fall in 1986 and part of 1987, foreign tourism has recovered. Last year, a reported 38 million foreigners visited France, more than were received by any other country outside of the United States and Spain. Led by Americans and Japanese, they spent \$12.5 billion, the government said.

This year, with all the media attention on the bicentennial of the French Revolution, tourism is booming. Nationwide, more than 42 million visitors are expected. The Paris tourist office reported a 45 percent increase in tourists between January and April over the same period last year.

The summer months may break all records, especially when the millions of people attending the bicentennial celebrations, an international radiologists' convention and the Group



Efforts to lure tourists to France are being coordinated and intensified; record numbers are expected this year.

of Seven economic summit meeting all converge on Paris in mid-July.

Meanwhile, the government has taken a more active role lately to encourage tourism.

It has dropped visa requirements for West European, Canadian and Japanese tourists and will drop them for U.S. visitors starting July 1. The value-added tax on hotels and travel agencies has been reduced, although France's VAT rates on other services such as car rentals remain the highest in the European Community.

More significantly, in one year the govern-

ment doubled the budget of its main promotional arm, Maison de la France, to \$10 million. The money was split between traditional promotion activities and a new eight-country advertising campaign.

The first step, however, was to convince private companies to join the state-owned railway and airlines in contributing to the campaign. Eventually, they contributed another \$7.5 million for ads.

"We really hadn't done any advertising before," said Mr. Perol, who oversees the marketing program. "The problem wasn't so much

convincing the industry to pay for the ads, but convincing them that advertising works."

A slightly different campaign was launched in each country and, in the first attempt to target its tourism promotion, two-thirds of the money was spent on individual campaigns for the U.S. and Japanese markets.

To dispel the American belief that France is unfriendly and expensive, for example, one set of ads guaranteed that the prices of a group of participating hotels would not change, in terms of U.S. dollars, even if the dollar fell in value against the French franc. Ads in Japan aimed for an avant-garde image, emphasizing

Escoffier schools in Paris now offer half-day cooking demonstrations complete with a Japanese translator.

Luxury-goods stores like Cartier and Chanel have Japanese-speaking sales personnel, and the Cognac region's chamber of commerce is offering Japanese lessons for employees of the local producers.

The Tourism Ministry encourages these signs of aggressiveness. Mr. Stirn said he has been pressing the French travel industry to become more competitive in the face of the growth of the leading West German and British tour companies.

Last month, France's biggest and oldest tour operator, Club Méditerranée, announced it was joining forces with Nouvelles Frontières, which sells discount airline seats and package holidays. Together, they are the fourth largest tour operator in the world and the third largest in Europe.

Earlier, two of France's biggest travel agencies, Havas Tourisme and Wagons-Lits, announced a merger that makes them the third largest travel agency in the world. And three companies — the Air France affiliate Sotavia, French travel agency and the state railroad's Frantour — said that they have signed a cooperative distribution agreement for selling their products.

"I'm trying to mobilize the government," Mr. Stirn said. "The industry itself is willing to invest more and more because it sees that tourism is profitable. France is accelerating quickly now and the expansion will continue."

French merchants and tourist businesses are beginning to do their own promotion. Faced with the flood of Japanese tourists in the past year, for example, the Cordon Bleu and Ritz-

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Fighting Issues: Wine Labeling and Content

By Gary Humphreys

PARIS — One might be forgiven for thinking that most European Community business boils down to questions of tax alignment. The European wine industry, for example, is characterized by a wide variety of VAT and excise levels.

For example, the Irish pay excise of 17.7 French francs (\$2.60) per liter of wine and 25 percent value-added tax, the Danes pay 20.6 francs per liter and 22 percent VAT, while the Portuguese, Greeks, Italians, Spanish and Germans pay nothing in excise and only moderate levels of VAT.

These differences are sufficient to cause consternation in Brussels to break up in disarray. And for the French winegrower, the issues are more deeply rooted.

Tax alignment, in the view of George Vabre, general secretary of the National Association of French Table Wines, is only a matter of time. "If Mrs. Thatcher insists on keeping excise at 9.4 francs per liter after 1992, but permits the suppression of customs officers at frontiers, the market will do the rest. There will be hundreds of bottling plants at Calais, and pretty soon the U.K. wine dealers will be out of business," he said.

According to Mr. Vabre, VAT is even less of a problem as far as wine is concerned. Alignment of VAT at around 14 percent, which the European Commission recommends, will increase the cost to the consumer in countries like Greece and Portugal and thus reduce demand. At the same time, however, it will put wine within the reach of more consumers in the northern states, thus compensating in export sales.

More than taxes, it is such matters as labeling and sugaring that cause an outcry from the French.

Labeling chiefly concerns the French producers of table wines, that is, ordinary wines produced cheaply in large quantities. These producers say that poor quality Italian wine is seeping into the French market camouflaged by misleading labels. The unsuspecting French consumer buys a bottle labeled *vin de table*, assuming that it is French, and fails to see the small print that states that the bottle contains a mixture of wines from several European countries.

The French argue that this is the only way that the Italians can sell their table wine, which would otherwise be left on the shelf. "Bottles marked *vin de table d'Italie* are not a commercial proposition," said an irate Paris expert, explaining that Italian growers, particularly south of Rome and in Sicily, have favored volume — in order to pick up the European Community subsidies — over quality.

While the French grievance has grounds, recent history puts the current animosity in a more complete context. In the first flush of enthusiasm for the Common Agricultural Policy, French producers felt that they would be able to sell their surplus to the rest of the community. Indeed, in the 1960s, France's exports of wine to other EC countries doubled for the high quality *appellation d'origine contro-*

lée wines and increased fivefold for the lower grade table wines.

It soon became apparent that the Italians benefited even more from the policy. A rising tide of cheaper, more robust Italian wines began to flood France's market. This led to considerable unrest in the Langue doc, one of the centers for the production of table wine. The issue came to a head in 1975 and 1976, and peaked with the death of a farmer and a policeman in disturbances near Narbonne.

Since then the French have sought other solutions, replanting vineyards with fruit and vegetable crops. It is because of this effort to reduce surpluses and diversify that the French

react so strongly to what they see as the covert importation of Italian wine.

However, even if the French prevail in the matter of labeling, 1992 is unlikely to see an improvement in the sales of their table wine. Apart from changes in taxation, the biggest threat posed by the completion of the internal market is Spain's entry, with its vast potential for the production of table wine.

Mr. Vabre said that "Spain is the biggest winegrower in the world, with an area of 1.6 million hectares under cultivation, compared with 1 million for Italy and 980,000 hectares for France." (One million hectares is equivalent to 2.5 million acres.) As yet, Spain has not realized its full potential, yielding roughly a third of what Italy and France produce per hectare.

"The danger is that Spain will increase its output considerably with what are very simple technical improvements," Mr. Vabre said. Agreements reached in Dublin put a limit on the Spanish output, but such agreements have been broken before.

There is also concern that Brussels is too willing to accommodate the views of the Mediterranean countries in matters of product specification.

So far, when it comes to *sugaring* — the practice of adding sugar to wine to boost its alcohol content — the Mediterranean countries have had a sympathetic hearing of their call for a ban. Wine, they argue, should be made with grapes and nothing else. This is an area of particular sensitivity as it touches on the production of some of the greatest French wines.

However, whatever rules Brussels comes up with on what is or is not wine, the French are likely to carry on regardless.

"Let's imagine they say that Bordeaux doesn't meet their specifications and so cannot be called wine," Mr. Vabre said. "We will say, OK, it's not wine, it's Bordeaux — and that will not stop us from selling it all over the world."

M&A Activity Increases by 85 Percent

By Madlyn Resener

PARIS — When Boulet Du Dupuy Peril SA, France's fifth-ranked advertising agency, announced last March that it was making a hostile bid to acquire Boase Massimi Pollitt PLC, the sixth largest ad agency in Britain, many observers thought the French agency was just making a promotional splash.

But when Jean-Claude Boulet, co-founder and president of the group, revealed that he had lined up 1.2 billion francs (\$179 million) in bank financing, the skeptics were forced to take a second look.

In the end, BDDP lost out to the U.S. advertising giant Omnicom, but its bid for BMP points up the new aggressiveness among France's most dynamic companies and the fact that the mergers and acquisitions trend has finally taken root in France. According to P.F. Publications, a Paris-based concern that tracks mergers and acquisitions, the total volume of M&A activity in France last year soared to 306 billion francs, an 85 percent increase over 1987, for a record 1,033 transactions.

The pace this year has quickened. During the first two months of 1989, P.F. Publications recorded a 32 percent increase in deals.

Why the sudden frenzy of activity? "It's partly *l'air du temps*," said Jean-Claude Haas, a general partner at Lazard Frères, France's leading bank in M&A activity. "But another explanation is that French companies

haven't yet reached a European dimension. And since their profit margins are now very high, gains in productivity can only come from the economies of scale that result from a merger or acquisition."

Other reasons, according to Didier Martin, an analyst at P.F. Publications, include the relatively low prices of French companies on the Paris Bourse following the October 1987 crash and the strong investment muscle of French firms as a result of record profits. Several legal changes also encouraged mergers and acquisitions last year.

Most of these deals remain friendly takeovers, however. Framatome's hostile bid for Télémelecque Electrique, which it lost to Schneider, was an exception last year. "I don't think unfriendly bids will take root in France," said Mr. Haas. "The French business world is still a small old boy's club. The chemistry of social relations among business leaders doesn't lend itself to hostile takeovers."

American-style junk bonds remain virtually unknown in France. Mr. Haas noted that French businesses that are too small to go onto the bond market find it relatively easy to obtain bank credit.

Others see potential for a junk-bond market developing in France. Nicolas Pourcellet, who works in the M&A department of Drexel Burnham Lambert, said, "Europe in general is a burgeoning market for mezzanine debt because of 1992 and because of the liquidity here."

As for BDDP, 20 percent of the financing of its takeover bid would have come from junk bonds. "We're one of the first firms in France to use innovative financing," said Nicholas V. Baum, managing director of the group's international operations. "One of the strengths of BDDP is that we control 89 percent of the capital, and we put a high premium on retaining a large percentage of the capital." Though the package contained innovative elements, it was not highly leveraged by U.S. standards, Mr. Baum said.

Obscuring the outlook for M&A activity this year is the impact of new legislation proposed by Finance Minister Pierre Bérégovoy. The new law would reinforce the powers of the Commission des Opérations de la Bourse, the stock market watchdog organization, to crack down on suspected insider trading by stiffening fines.

It would also give majority shareholders new defenses. Other changes already adopted by the Conseil des Bourses en Valeurs, a regulatory agency, include a requirement that a company that has acquired 95 percent of another company make a full takeover bid for at least 66 percent.

Observers say the law, which is expected to be adopted by the National Assembly this summer, will encourage M&A activity by making full takeover bids the only way to acquire a French company. But the changes will also discourage raiders looking for a 51 percent controlling share.

Growth, Wage Controls Aid Recovery

Continued from page 19

between 1985 and 1988, the highest rate of any major industrialized country except Japan.

But, as Finance Minister Pierre Bérégovoy is the first to admit, the generally bright picture remains clouded by two major black spots: Despite the increase in exports, France's trading performance is still riddled with problems, and stronger growth has not yet begun to make a serious dent in the country's high levels of unemployment.

Few analysts believe that either of these problems can be solved quickly. With the recent deterioration of the country's industrial trade balance, and the decline in its share of world markets, France's foreign trade situation is "still precarious," the OECD said. On the job front, it remarked, "the present pace of recovery would seem to be only barely sufficient to stabilize unemployment."

Although the double-digit unemployment rate dipped slightly in 1988, it remains one of the highest among the leading industrialized countries. Most forecasts are that it will inch up again this year and next.

More generally, there are fears, reflected in public opinion polls, that the country may not be ready to compete in the bracing climate of the European Community's post-1992 single market.

Economists point out that while the French manufacturing industry recorded an impressive 5.1 percent increase in industrial production last year, that was still only around the EC average. It was considerably less, for example, than the 7.1 percent achieved in Britain and the 6.2 percent in Italy.

France's situation today is "ambivalent,"

said François Perigot, the president of the Pécussat. While the country's economic strategy had inconspicuously succeeded, its industrial structure still lagged well behind those of its foreign competitors, "whose dynamism was awakened earlier."

Nevertheless, the rumbling malaise that led the French to talk constantly of a "crisis" in their affairs earlier in the 1980s has long since receded. And increasingly, France's performance is showing up well in the comparisons it likes to make with West Germany.

Today's trade deficit 'reflects the sins of the past.'

"The most important point today is that for the first time since exchange rates started floating in the early 1970s, the idea of a fixed parity between the franc and the Deutsche mark is plausible," Mr. Potts said. "France has decided to become a fixed member of the Deutsche mark bloc, which implies acceptance of West German monetary policy and all that goes with it," he said. "The story of the French economy over the last two years is the gradual increase in credibility of the link with the mark."

Reinforcing that credibility, the gap between the French and West German inflation rates — one of the French government's favorite indicators — has narrowed from almost seven points at the start of the decade to 1.5 points at the end of last year. Most economists believe the differential will narrow further this year.

At the same time, Mr. Potts said, wages in French manufacturing industry have been rising more slowly than in West Germany and

French productivity growth has been higher.

"The French have been beating West Germany in labor-cost comparisons for two and a half years," Mr. Horne said. "The French are probably gaining market share in the EC and outside it at the expense of Germany."

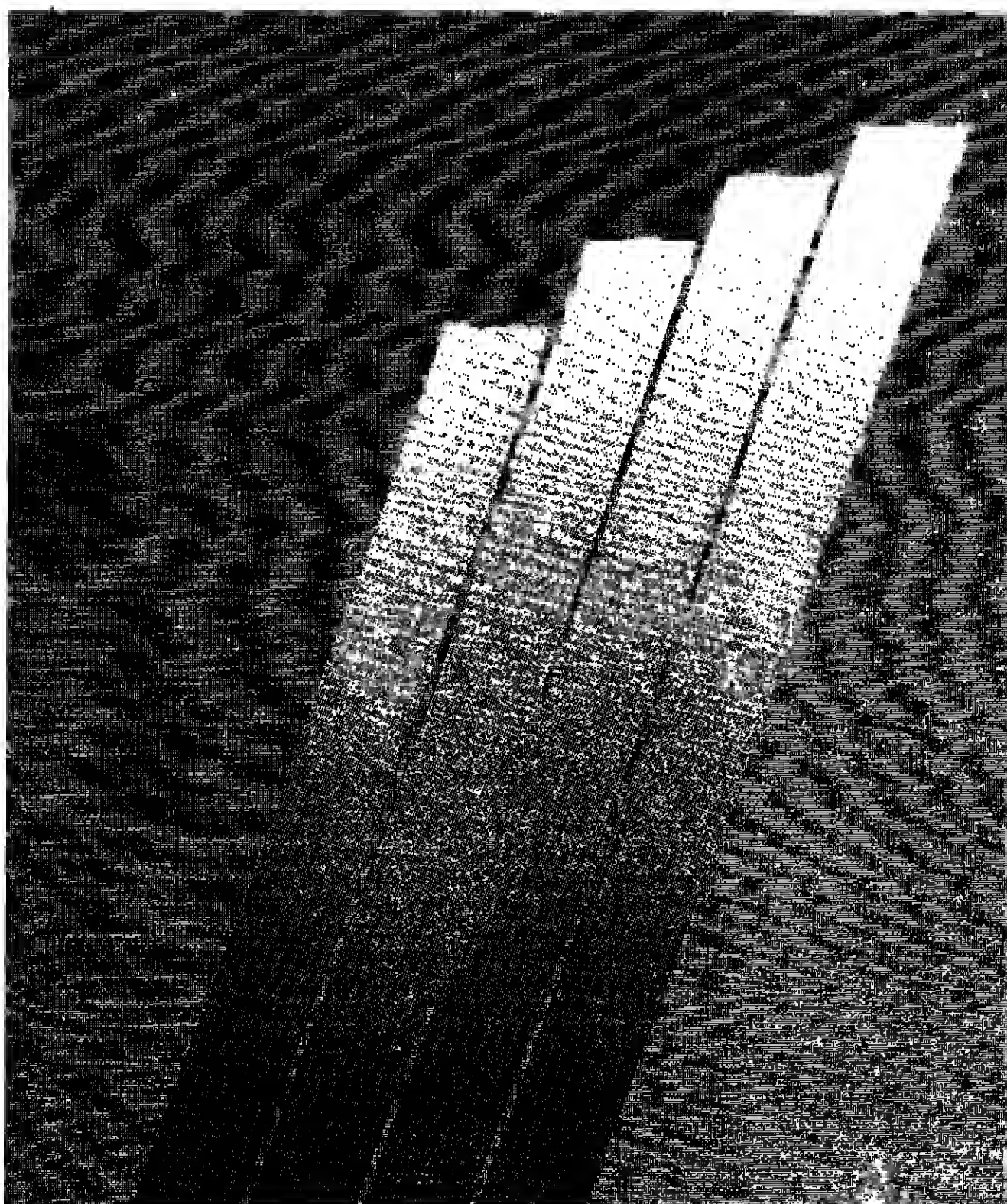
But while the French had done an "outstanding job" in controlling labor costs, they had still not introduced sufficient variety or high enough quality into their products, Mr. Horne said. "Today's trade deficit does reflect the sins of the past," he added.

Numerous studies suggest that French industry is still not specializing enough, has a hard time adapting to quickly changing markets and is still paying the penalty for its heavy past dependence on big export projects in Africa, the Middle East and Latin America, where demand has now shrunk or evaporated.

Many French economists and politicians are looking to the blast of competition from the EC's single market to help blow away these cobwebs.

Meanwhile, economists are virtually unanimously agreed that the government's prime concern must be to avoid a rash of wage increases that could endanger much of the progress achieved over the last few years. Inspired, perhaps, by the summer's revolutionary celebrations, workers can be expected to demand a greater share of the nation's wealth this autumn. The government is likely to argue, however, along with the OECD and other economists, that it would be madness to abandon the country's long-haul recovery program just as it is beginning to bear such good fruit.

REGINALD DALE is the International Herald Tribune's economics correspondent.



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AEROSPATIALE: IMAGINATION AND BEYOND

SPORTS

Rain Adds to the Course Perils As Golfers Tee Off at U.S. Open

Compiled by Our Staff From Dispatches

PITTSFORD, NEW YORK — Golfers teed off Thursday morning for the 89th U.S. Open in soggy, difficult conditions over the par-70 Oak Hill Country Club's East course.

After a night relatively free of rain, it began to drizzle in the morning, about 90 minutes after play began, threatening to delay or halt the first round.

It has rained here, off and on, all week, and more rain was predicted, off and on, until Saturday. The U.S. Golf Association has said that if either of the first two rounds was rained out, the golfers could play 36 holes on Sunday.

"The course can't take much more rain," a USGA spokesman, Rich Skyski, said. "It's like walking around in a bathtub."

Tour veteran Hubert Green was one of the few early starters able to dodge the perils of this difficult course that was made even more difficult by the rain. Green birdied the first two holes, a pair of par-4s, going 2-under.

Most of the favorites had later tee times. These included the defending champion, Curtis Strange, in a threesome that also included Seve Ballesteros of Spain. Nick Faldo of England, the man whom many consider the favorite, was to start much later.

When the rains started earlier in the week, P.J. Bowdler, executive director for competitions of the U.S. Golf Association, said, "One good shower and we're out of business."

But the players said they were ready to go in the rain. Most of them have been doing it all year anyway, because 19 of the 24 events on the tour this year have had some rain.

Faldo, 31, has earned his spot as a 6-1 betting favorite because of an

impressive showing around the world over the last couple of years. This has included a second-place finish in last year's Open after he lost an 18-hole playoff with Strange, and, in particular, his three victories in the last nine weeks.

One of those came at Augusta, Georgia, where he beat Scott Hoch in a playoff to win the Masters. Following his triumph in Augusta, Faldo returned to England to win the Volvo PGA Championship on May 29 and the Dunhill British Masters on June 4.

Strange is battling the jinx of repeating in an Open. No one has won successive Opens since Ben Hogan in 1951 and 1952. Players such as Tom Kite, who hasn't won a major title; Mark Calcavecchia, the strong man who won twice early this year but has slumped a bit since; and other potential winners are just not coming into this event with the impressive credentials Faldo has.

Sandy Lyle of Scotland is suffering through a miserable slump during which he has not made the cut in seven of his last nine tournaments.

Ballesteros, of Spain, has not won enough since his third British Open victory in July to be at the top of the favorite's list.

Although he consistently finishes high, Greg Norman, who was forced out of the 1988 Open with a hand injury, is not winning enough tournaments.

Faldo said a golfer would have to be "good with a driver" on Oak Hill's East Course, a 6,902-yard (6,326 meters) test with the usual dense Open rough of 2 to 4 inches (5 to 10 centimeters).

A major factor will be the big trees that crowd the fairways and demand drives that thread the needle.

Faldo will be trying to do what

only four men have done by going from second one year to first the next year in a U.S. Open.

The most recent was Jack Nicklaus, who won the 1972 Open a year after finishing second.

Bobby Jones did it three times. Alex Smith, runner-up in 1905, won in 1906 and John McDermott, second in 1910, was first in 1911.

Faldo has suffered from a touch of flu for the last couple of days.

Because of needed driving accuracy, Faldo may not win and a guess is that Mike Reid will battle Ballesteros for this Open title.

Reid, 34, from Utah, is the most consistently accurate driver on the tour. But maybe Oak Hill will be too long for Reid because it will be very wet all week. Ballesteros is the greatest recovery artist and is due to win a U.S. Open. (AP, NYT)



Curtis Strange, the 1988 titlist, taking a practice swing Wednesday on the course of the 1989 U.S. Open as the rains come down.

After Trevino, a Tougher Site Course for U.S. Open Revised as Result of '68 Win

By Gordon S. White

New York Times Service

There is a common trait that runs through the eyes of club members who feel theirs is the best course imaginable. They cannot stand it when a superb golfer comes along and shoots a record score on their hallowed links. So they solve the problem by change.

Those changes are not always for the better, though they may serve the purpose of making the course tougher. But in golf, despite common beliefs, tougher courses are not necessarily better courses.

Members of the Oak Hill Country Club in Rochester, New York, have gone through this stage.

Oak Hill has two substantial 18-hole courses that were designed in the mid-1920s by Donald Ross, one of the premier architects of the game. It was Lee Trevino who shot the record that caused the changes.

Trevino made his name by winning the 1968 U.S. Open on Oak Hill's East Course, where on Thursday the 89th Open started.

Trevino's winning score of 275 was the result of rounds of 69, 68, 69 and 69 as he became the only

golfer in Open history to shoot four sub-70 rounds.

How dare he do this?

So in came a couple of modern golf architects and Oak Hill East got a face-lift before the 1980 PGA Championship was held there and won by Jack Nicklaus. Three new holes were built and a few others redesigned.

"They flat-out ruined it," Trevino said.

But that has been done to other Open courses, like Inverness in Toledo, Ohio. Oakmont, outside Pittsburgh, was made almost unplayable by dense high rough in 1983 because in the previous Open there, in 1973, Johnny Miller set an Open record of 63 the final day.

This will be the third Open at Oak Hill (Cary Middlecoff won there in 1956) and the first since the post-Trevino changes.

Nevertheless, the Open will be held on a strong track that, as usual, puts a premium on accurate driving.

And Oak Hill, as are so many older courses in the North, is getting tighter and tighter each year as trees intrude over the target space on the fairways.

Just being on a fairway may not be good enough in some spots on this course. Being in the center of the fairway will be necessary at times so there is no chance of clipping trees with a second shot.

The tight chute off the tee on the par-5 fourth hole is a good example of what trees can do to make a difference in a course.

At 6,902 yards (6,326 meters), Oak Hill is a solid par-70 course for the Open with a pair of par-5 holes.

The par-5 13th is one of the longest U.S. Open holes at 594 yards. One of the shortest holes is the 167-yard par-3 sixth, one of the three new holes built for the 1980 PGA Championship. Trees play a part and a golfer cannot expect par if he overshoots the green because the pitch back is to a steep sloping green falling away to the front.

There are few lumps at Oak Hill, a hilly course that starts strongly with a 440-yard, par-4 first hole. A brook crosses the fairway in front of the green but should not be a factor if the drive lands on the fairway.

The course ends with strength with three substantial par-4 holes cut through the huge trees.

2 Old Timers Lead Rangers

The Associated Press
Don't try to tell the California Angels that life begins at 40.

The Angels helped Texas celebrate Old Timers' Night on Wednesday as Nolan Ryan and

BASEBALL ROUNDUP

Charlie Hough combined to pitch the Rangers to a 5-1, 6-3 doubleheader sweep in Arlington, Texas. It was only the second time in the last 56 years that a pair of pitchers 40 years of age or older started a doubleheader for the same club.

Ryan is 42 and Hough is 41. The other time was in 1986, when Tommy John, 43, and Joe Niekro, 41, started for the New York Yankees. Ryan's victory made him the sixth pitcher in major-league history to defeat all 26 teams.

"The only way to accomplish beating all 26 teams is to be in both leagues, with two clubs in each league," Ryan said. "It's no great accomplishment. It should happen if you hang around long enough and pitch well."

Doyle Alexander, Gaylord Perry, Don Sutton, Mike Torrez and Rick Wise are the other pitchers to defeat all 26 big-league teams. John, released by the Yankees last month, also has a victory over every other team but needed postseason play to do it.

Yankees 2, Orioles 1: In Baltimore, the Orioles' left fielder, Phil Bradley, lost Ken Phelps's bases-loaded fly ball in a ninth-inning fog, allowing both New York runs to score.

Athletics 2, Royals 1: In Kansas City, Missouri, Dave Parker doubled home the winning run in the eighth. Dave Stewart was the winner, tying San Francisco's Rick Rasmussen for the major-league lead in victories.

White Sox 3, Indians 1: In Chicago, Jerry Reuss blanked Cleveland for seven innings and Daryl Boston hit a two-run triple in the fourth.

Tigers 7, Red Sox 3: In Boston, Matt Nokes, 1-for-26 in his previous nine games, went 4-for-4 and Lou Whitaker hit his 15th home run and a double for Detroit.

Blue Jays 6, Brewers 1: In Milwaukee, Pat Borders and Bob Brenly had two hits and two RBIs each. Borders gave the Blue Jays a 2-0 lead in the first with a two-run single off loser Bill Kruger. Toronto made it 3-0 in the third when Manny Lee tripled and Brenly singled.

Twins 10, Mariners 8: In Minneapolis, the Twins came back from a 6-2 deficit in the fourth inning, then blew a 7-6 lead when Seattle's Jay Buhner hit a two-run home run in the top of the seventh. Minnesota tied the game, 8-8, in the bottom

of the seventh on Kirby Puckett's leadoff home run, and Brian Harper singled in the final two runs.

Pirates 6, Phillies 4: In a National League game in Pittsburgh, Andy Van Slyke drove in three runs with an RBI single in the third and a two-run triple in the seventh to rally Pittsburgh. The Pirates' victory kept them from a last-place tie in the NL East with the Phillies. Van Slyke had 25 home runs and 100 RBIs last season, but has struggled since missing a month with a strained rib muscle.

Giants 10, Braves 1: In San Francisco, winner Doc Robison helped himself with a run-scoring single. Tracy Jones, Robby Thompson and Kirk Manwaring each drove in two runs for the Giants.

Cardinals 10, Expos 0: In St. Louis, Missouri, Joe Magrane pitched his second straight shutout and Matt Thompson went 4-for-5 with four runs scored. Pedro Guerrero hit three RBIs singles as the Cardinals pounded four pitchers for 16 hits.

Mets 2, Cubs 0: In New York, Dwight Gooden increased his career record against Chicago to 18-3 as New York won in a game shortened to 6½ innings by rain. Gooden left in the sixth with what club physician Fiske Warren described as tightness in his right shoulder. Warren said Gooden's condition was not serious.

Padres 4, Reds 2: In San Diego, Eric Show pitched 10 hits in 8½ innings to become San Diego's all-time victory leader. Rob Nelson and Benito Santiago hit solo home runs for the Padres, with Santiago snapping a 2-2 tie in the fourth.

Dodgers 3, Astros 0: In Los Angeles, Orel Hershiser earned his 22d career shutout and Kirk Gibson drove in all three runs, two of them with a home run.



Milwaukee's Paul Molitor attempts to catch away from a home by Tony Fernandez, the Toronto shortstop, during a run-down.

Data on Wider Use of Drugs In Seoul Is Cited at Inquiry

By Michael Janofsky

New York Times Service

TORONTO — The International Olympic Committee's medical commission has data suggesting that Ben Johnson was not the only male track and field athlete who used anabolic steroids in training for the Seoul Olympics, even if he was the only one who failed his drug test.

However, Dr. Manfred Donike of West Germany, a commission member, denied Wednesday that he had told a Danish television commentator that 80 percent of the male track and field athletes who were tested in Seoul had used steroids or that the source of the data, a test known as an endocrine profile, could detect steroid use as far back as five to eight years.

The commentator, Bernd Heller, made his statements Wednesday at the Canadian government inquiry into the use of drugs by athletes.

"I cannot give out the figure at this time," Donike said by telephone from his laboratory in Cologne. "And how can anybody claim I said the tests go back five to eight years? It is ridiculous to make such a claim."

Whatever the figure is, its mere presence suggests that the IOC has a far better idea than it has said it has, with regard to how many athletes used steroids in training periods before the Seoul Games.

Nine athletes besides Johnson, the Canadian sprinter, were caught using banned substances.

Donike acknowledged that an endocrine profile, an experimental test that measures metabolites of testosterone excreted by the endocrine gland, was done in the Seoul laboratory as part of each urine analysis of male athletes for information purposes.

The final results of the tests, he said, would be presented at a drug conference later this year in Moscow, or earlier if the IOC gave him permission to release the findings.

"There's not really that many resources going into the test at this moment, but the technical capability exists," said Donald Catlin, an IOC medical commission member who runs a drug-testing lab in Los Angeles.

Heller, a former pole vaulter and lawyer, testified that "it was a big surprise to me" to hear Donike say that so many athletes had used steroids for so long.

Last Monday, Heller said, he spoke to Donike again to tell him he intended to appear at the inquiry and to clarify several points, only to have Donike back off from his original statement.

"He told me I didn't say it or I misunderstood him," said Heller, the 41st witness to appear in the track and field phase of the inquiry. "He changed his mind concerning the time period. Now he reduced it to three to six months."

Heller also said that Donike denied the 80 percent figure.

Speaking to reporters after his testimony, Heller said: "It might be possible I misunderstood him. But

that is why I requested an exact figure when he told me he did not say 80 percent."

Use by Discus Thrower

Rob Gray, a Toronto lawyer and former discus thrower who failed a drug test in 1986, said Thursday that he began taking banned steroids in 1980 while he was a student at Southern Methodist University in Texas. The Associated Press reported from Toronto.

"It was very prevalent," said Gray in testimony at the federal drug inquiry. "Most of the people were using it."

Gray, who lost a protracted battle against his life suspension for testing positive for a steroid at the national championships, also said

he often injected shot putter Bishop Dolegiewicz, earlier named at the inquiry as a drug supplier.

Dolegiewicz, a physical education teacher in Saskatchewan, denies ever taking or dealing in steroids.

Hurdler Suspended

Canadian hurdles champion Julie Ruppel-Baumann has been suspended after two urine tests indicated she used steroids, the Canadian Track and Field Association said Wednesday. Reuters reported from Ottawa.

The sample was collected in Switzerland on May 2 as part of an out-of-competition testing program.



Bernd Heller, a West German TV commentator, during testimony.

Johnson May Lose Mark To New Rule Proposal

Reuters

LONDON — Ben Johnson's confession of having used drugs could lead to him being stripped of his 100-meter world championship and record under new proposals announced by the International Amateur Athletic Federation.

Plans to disqualify athletes retroactively and withdraw their results and times if they confess later to taking drugs are being considered by the IAAF, the track and field governing body said Thursday.

If the proposals are accepted by the IAAF Congress in September, Johnson's victory in a world record 9.83 seconds at the 1987 Rome world championships could be scratched.

Johnson, who was stripped of his Olympic 100-meter gold medal in Seoul after testing positive for anabolic steroids, admitted to a Canadian government inquiry into drug abuse in sports this week that he had taken drugs a month before the world championships in Rome.

He passed all drug tests in Rome and, under current IAAF rules, remains the world champion and record holder.

But in a statement issued in London on Wednesday, the IAAF said Johnson's confession had "served to strengthen the resolve of the IAAF to introduce tougher, wide-sweeping rules on doping control."

The statement said: "This will deal with the particular situation of an athlete committing, under oath, and by signed statement, that in the past he/she has knowingly taken prohibited substances regardless of any negative doping results obtained when the athlete was tested in competition."

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The Icing on a Deal: Hockey Arena

By Joshua Mills

New York Times Service

NEW YORK — The Anheuser-Busch Co. has offered St. Louis an unusual deal.

In return for the right to demolish 10 turn-of-the-century landmark warehouses that are adjacent to Busch Stadium, Anheuser-Busch would build an 18,000-seat arena for the St. Louis Blues hockey team, buy the team and promise to keep it in St. Louis.

The latter is no small matter in a city that last season lost its National Football League team, the Cardinals, which moved to Phoenix.

The city's National Basketball Association team, the Hawks, moved to Atlanta in 1967. Under Anheuser-Busch's proposal, the new arena would be developed by the Civic Center Corp., a wholly owned subsidiary that owns Busch Stadium, as well as the surrounding parking lots and some hotel and office buildings nearby.

The new arena is likely to cost \$60 million to \$65 million to build, said Michael F. Shanahan, the chairman of the Blues.

The proposed deal would seem to offer Busch potential benefits on several fronts.

The company has enjoyed stunning box office success with the St. Louis Cardinals baseball team, which it has owned since 1953.

The Blues are currently the only other professional team in town.

Anheuser-Busch would get whatever profits the team turns, an arena in which to sell and promote its products, the promotional value of the franchise and the good will from assuring that the team will not move on.

The arena would provide revenue from parking, concessions, advertising inside the arena and from rental of luxury boxes. The hockey team would provide an anchor tenant for the arena, but Anheuser-Busch would have a new building for college basketball, rock concerts, wrestling, rodeo, tractor pulls and other events.

Anheuser-Busch "is among the leaders in sponsoring sports teams," said Emanuel Goldman, a beverage industry analyst with Paine Webber Inc.

Noting the extensive participation by the company in auto and boat racing, as well as its sponsorship of national radio broadcasts of major league baseball, he said, "In sports promotion, Anheuser-Busch is pervasive."

Anheuser-Busch would not be the first brewer to

own a hockey team. The Molson Companies of Canada owns the Montreal Canadiens.

Anheuser-Busch, which owns Busch Stadium, where its baseball team plays, already holds \$1 million worth of limited partnership shares in the Blues.

Last month, it reached an agreement in principle to buy a controlling interest in the team, in the form of the general partnership shares owned by Shanahan, who would retain a limited partnership and continue as chief executive.

Shanahan, 49, is chairman of Engineering Support Systems Inc., a military contractor based in Olivette, Missouri. In 1986, he led a group of investors, including the Southwestern Bell Corp. and the Emerson Electric Co., that bought the Blues from Harry Ornstein, an investor from Beverly Hills, California.

In buying Shanahan's general partnership shares, Anheuser-Busch would put up a still-to-be-decided amount of money and would also assume the Blues' debt.

Shanahan said the debt "was close to zero." Busch would also be responsible for any operating losses incurred by the Blues, which made a modest profit last season.

The landmark warehouses that would be torn down, some of which are still in use, are known as Cupples Station. Civic Center agreed in March to pay Washington University in St. Louis \$9 million for the property.

A month later, Shanahan approached Civic Center and proposed that it buy the hockey team as well.

He said he had two goals, to reduce his liabilities and to help the Blues find a new home that would bring them greater revenue.

"It became apparent to me that in order for the Blues to become one of the top four to six teams in the league, we'd have to make substantial investments in player development," Shanahan said in a telephone interview. "That meant we would need to share in arena revenue."

Nineteen of the National Hockey League's 21 teams, he said, shared the revenue from arena parking, concessions and advertising.

The Blues currently play in the St. Louis Arena, which was built in 1929 and is owned by the city. The current arena is expensive to maintain because of its age, and its parking lots cannot accommodate the crowds. What is more, views from many seats leave something to be desired.

